

Digitized by the Internet Archive  
in 2007 with funding from  
Microsoft Corporation

9138c

# DIRECT EXPORTING

Presenting the Problems of the  
Exporting Manufacturer

---

By <sup>Forestus</sup>  
WALTER F. WYMAN  
*Export Manager, Carter's Ink Company*

---


Being the Fifth  
Unit of a Course  
in Foreign Trade <sup>ed. by</sup>  
Edward Ewing Pratt

---

148 3790  
4 110/17.

BUSINESS TRAINING CORPORATION  
NEW YORK CITY





Copyright, 1916, by  
Business Training Corporation  
[Printed in the United States of America]  
*All Rights Reserved*



# Course in Foreign Trade

---

Edward Ewing Pratt - - - *Director*

Edward Leonard Bächer - *Secretary*

---

*The text of the course is issued in twelve units as follows:*

TITLE	AUTHOR
I. Economics of World Trade . . . . .	O. P. Austin
II. The World's Markets . . . . .	Edward Neville Vose
III. Export Policies . . . . .	{ P. B. Kennedy E. C. Porter
IV. Export Houses . . . . .	{ John F. Fowler C. A. Richards Henry A. Talbot
V. Direct Exporting . . . . .	Walter F. Wyman
VI. The Export Salesman . . . . .	Paul R. Mahony
VII. Shipping . . . . .	{ Emory R. Johnson Grover G. Huebner
VIII. Financing . . . . .	{ E. A. DeLima J. Santilhano
IX. Export Technique . . . . .	Edward L. Bächer
X. Foreign and Home Law . . . . .	Phanor J. Eder
XI. Importing . . . . .	Carl W. Stern
XII. Factors in Trade-Building . . . . .	Chauncey D. Snow

---

BUSINESS TRAINING CORPORATION  
NEW YORK CITY



## PREFACE

**T**O the publishers of *System, Leslie's, the World's Work, Printers' Ink, Modern Methods, Advertising and Selling, Business, Export American Industries, and How to Export* the writer is indebted for their whole-hearted permission to use in this volume contributions which have previously appeared in their columns. This text Unit is written to supply actual examples of Direct Exporting, and any theories are those which have been built up from proved practise. No effort has been made to supply novel ideas.

Export is not in itself a science or an art. It is simply a part of merchandising; and the better the understanding of the principle of business itself—which knows no clime, creed or color of skin—the better the exporter.

The writer takes advantage of this opportunity to acknowledge his constantly growing debt to those brother export managers whose kindly advice and constant counsel have always proved of the utmost value to him.

W. F. W.





# CONTENTS

I. ORGANIZATION AND POLICY.....	1
The Allied Company—The Selling Company—The Separate Export Department—The “Built-in” Department—Cooperation between Departments—Who Shall Be in Executive Control?—Determining the Marketing Policy—What Shall the Price Policy Be?	
II. THE BUILT-IN EXPORT DEPARTMENT.....	13
Where Shall Export Headquarters Be?—Planning and Equipping the New Department—Choosing the Export Manager—Training a Man “in the Job”—Learning the Technique of Foreign Trade—Net Profits the Aim of Exporting—Branch Houses Abroad—Division of Duties Among Departments—Passing on Foreign Credit Risks.	
III. THE WORLD AS A CAMPAIGN FIELD.....	24
The Danger in “Plan-as-You-Go” Methods—Choosing the Initial Territory—Charting the Earth’s Surface—Looking a Decade Ahead—Preparing the Way for Salesmen—Sifting the World’s Markets—Specimen Layout of a World-Plan.	
IV. THE WELL-BALANCED CAMPAIGN.....	33
Preparation Must Precede Selling—A Modern Metropolitan Market—Product Requiring Selling Through Agent—Finding the Agent—Deciding What to Offer the Agent—Promotion Expenses the First Year—The Offer to the Agent—Sales Volume Expected on This Basis—Advertising—Correspondence—Training the Agent—No Model Export Sales Campaign.	

V. EXCLUSIVE AGENCY CONTRACT..... 44

Confidence the First Essential—Territory Should Be Plainly Defined—Specify the Duration of Contract—Status of the Agent—Shall the Agent Sell Competing Lines?—Make Clear the Basis of Compensation—Prices Should Be Specific—Extra Packing Expenses—Samples and Advertising Matter—What the Manufacturer Concedes—The Agent's Obligations—Cancellation of Contract—A Clause That Safeguards Both Parties—The Need for Cancellation Clauses.

VI. EXPORT ADVERTISING AND SAMPLING..... 57

How an Export Manager Blundered—Nor Should the Advertising Manager Dominate—A Waste of Valuable Space—The "Business Card" a Lazy Method—Copy Must Vary with the Purpose—Coordinate Advertising with Other Selling Efforts—Make Your Advertising Purposeful—Meeting a Profitable Emergency—Advertising Has Cumulative Value—Featuring Salesmen in the Advertising—Use the Reader's Language—Beware of Fake Mediums—House Organs in Foreign Selling—Sample—The Concrete Fact—The Value of a Side-by-Side Test.

VII. CORRESPONDENCE IN EXPORT TRADE..... 74

Diagnose before You Dictate—Courtesy the Prime Essential—Put Yourself in the Customer's Place—A Letter That Was a Boomerang—Putting Individual Appeal into a Letter—Ten Distinguishing "Trifles"—Altering the Sales Appeal—"Asking Advice" a Business Asset—Accuracy, Thoroughness, Directness—Specify, Do Not Assume—"Follow Copies" an Insurance Measure—Eliminating Distracting Material—Series Letters in Export Business—A Comprehensive Letter Series—Translations Should Be Clear



and Idiomatic—Have a Native Do the Translating.

VIII. THE USE OF THE CABLE..... 92

Building Up a Four-Letter Code—Four-Letter Code Lacks Elasticity—Standard Codes Used to Supplement—Model for a Salesman's Code—Sixty-Word Message Condensed into One—"Advance-Data-on-Order" Code—Time-Saving and Dollar-Saving.

IX. FOREIGN CREDITS AND COLLECTIONS.....105

The Essential Three C's—Human Element in Export Crediting—Credit and Sales Departments in Cooperation—Sight Drafts Simplify Credits—Financing an Unpromising Prospect—Collections a Vital Factor in Credit Policy—Be Specific with Open Accounts—When the Draft Is Ignored—Avoid the Use of Form Letters.

X. KEEPING THE EXPORT RECORDS.....117

Cataloging Export Knowledge—Don't Overload the "Country Card"—What the City Card Records—The Customer Card—Recording the Prospect—Indirect Sales Records.

XI. "ALL-BY-MAIL" CAMPAIGN.....123

Determining Discounts and Terms—Urging the Quick Turnover—Samples and Advertising Appeal—Reaching the Retailer—Agent's Contract Signed, Cooperation Begins—Manufacturers' Agents on Commission Basis—Review of the Campaign—The Expense Items.



## From Factory to Consumer

THE Hoosac Tunnel was not without its opponents. In an old report, belittling the idea of shortening the distance between Troy and Boston, it is narrated with fine sarcasm, how one of the "original friends of the tunnel . . . charmed the audience with rose-colored sketches of the teeming wealth of the West pouring into Boston through an auger-hole 14 feet wide by 18 feet high, under the Hoosac Mountain!" "Of such stuff dreams are made," concludes the author summarily.

To the constructing engineer, however, the question was not one of sentiments or opinions. It was one of grades, miles of track, pounds of coal and cubic feet of rock. To the manufacturer planning to do his exporting direct the question is not one of "Mr. X's statement" or "Mr. Y's idea." It is one of expenditures, orders and ultimate money profits.

The railroad builders, trying to apply to railroad construction the axiom that a straight line is the shortest distance between two points, met with champions of the scheme who were as absurd in their exaggerations as their critics were unpromising. The manufacturer trying to find out whether there is a short and direct route from factory to customer has been given suggestions equally as chimerical and conflicting.

When the manufacturer's decision is made, he should be able to say: "Here are the actual facts; here is my conclusion." In helping him reach that conclusion, nothing will be of greater service than a clear statement of the problems that confront him and of the successful methods that others have used.





# I

## Organization and Policy

**W**HAT are the problems that confront the manufacturer who has decided to export his products direct?

In a previous Unit of the Course many of the questions that an exporter must consider were mentioned. But they were questions that apply for the most part whether his methods be direct or indirect. We have seen how net profit, after all, is the sole valid reason for seeking export trade. We have seen how essential to the exporter's success are honest products, sound policies and a real desire for permanent foreign business. We have also considered the choice that the manufacturer must make—whether he will undertake the export venture alone, or whether he will proceed under the tutelage of the export house.

Coming now to the case of the manufacturer who has weighed these problems and has concluded that his future success is dependent upon his assuming himself the responsibilities of all his overseas trade, let us proceed at once to the problems that confront him. They are many and they demand as

painstaking and as careful attention as he can devote to them.

At the very outset—granting that he has decided on no plan less progressive than one comprehending the whole world and looking far into the future—he must determine what his organization will be, a decision of very vital importance. Shall he establish:

1. An allied company?
2. A selling company?
3. A separate export department within the company?
4. A “built-in” export department?

The allied company is a device whereby, on outright purchase or royalty division, a firm's name is taken over for definite territory by a separate corporation, which may be controlled either by men associated with the export company or by outsiders. Such arrangements may involve patent rights. Sometimes they are necessitated by statutes imposing prohibitory conditions on foreign companies. The allied company is frequently employed as a means of dividing financial responsibility by certain lines subjected to abnormal commercial risks. Here as abroad, in such extra-hazardous ventures, it is not an unknown practise for investors to divide their holdings, so that they are self-insuring.

*The Allied  
Company*



The allied company is really more of a financial than an export device. Unless conditions prohibit exporting by other means, it should be considered a last resort, rather than a tool to be used in connection with any phase of direct exporting. There are exceptions in the successful allied companies of some of the very largest industries. It must be granted, however, that the beginner who adds intricate financial arrangements to his export sales problems complicates matters at a time when he should be simplifying them. Selling his overseas possibilities to the allied company is an admission of inability to handle the situation in foreign markets.

A selling company is a form of organization entirely distinct from that of an allied company. In brief, a selling company is a separate sales department of a business, which buys either at prices stated in advance or determined at the end of each year and based on cost. Its business is confined to selling, whereas an allied company may manufacture abroad, as well as control patent rights. The United States Steel Products Company and the United States Rubber Export Company are examples of the selling company.

*The Selling  
Company*

A business may reach that point in its growth where the use of its domestic trade

machinery in foreign selling ceases to be an economy. It is here that the establishment of a selling company often brings more rapid development to both home and foreign business by separating the two interests, by assigning the responsibilities to different organizations, and thus eliminating the complications bound to enter into the human problem when dual duties rest upon the same man or set of men.

The dividing line between a selling company and a separate export department within the company cannot be clearly drawn.

*The Separate  
Export Department*

Only minor differences exist in some cases, and very clearly defined ones in others. A separate export department within a company, for instance, may assume direct control over such matters as foreign advertising, foreign credits, foreign shipping and foreign collections. It may possibly have even a separate manufacturing department for certain products not sold in the United States.

There is no set formula upon which to depend in determining just where the exclusive activities of a separate export department shall begin or end. It is a matter of executive policy based on the best interests of the business as a whole. The simplest form is obviously that of the separate sales department.

With less than that it falls into the class described in subsequent paragraphs. On the largest scale, its functions go clear to the border line of the separate selling company.

The arguments in favor of a "built-in" policy for the development of foreign sales are based on broad grounds and deserve the utmost consideration before an export system is finally chosen.

*The "Built-in"  
Department*

Trace a single order from its receipt. If the one man responsible for the sales end of exporting is to handle all foreign business without interference (or assistance) it is obvious that he will be a fairly busy man. If he looks after all the ends of exporting; if he opens the envelope, unfolds the order, gives it an account number, prices it, gives detailed instructions as to its terms, method of packing, proper classification for billing; if he enters it, conveys to the different departments the proper copies, registers it, enters it on the several history records, orders stock and packing, handles the advertising matter and samples, cases it, stencils it, packs it for car shipment to the terminal; if he credits it, bills it, registers it for draw-back, attends to drafts, then attends to collection of the account and the draw-backs, and incidentally acknowledges it; if he enters it for the year's summary

(geographical and financial), follows it up, secures additional information on the account, sees that the proper salesman gets a record of the transaction, and that the resident agent is advised and receives his credit memo—if he attends to all his duties, assuredly his days will be fully occupied with little time left for plans to seek more business.

Why not apply the principle of cooperation? Is it not the essence of cooperation that the export end of a business should use the tools that it has instead of building an

entirely new set? For example, it is an axiom of good business that danger exists

*Cooperation between  
Departments*

when responsibility for sales and for credits is joined in the same individual or department. The principle that the man who sells should be the last man to pass on the credit of orders he obtains is unchanged by the mysterious word "export." Foreign credits are primarily based on the same three C's—character, capability and capital—which form the foundation for domestic credit. If this be true, then the domestic credit department, in cooperation with the export department, can bring to the handling of foreign business a degree of specialized knowledge which alone can yield the maximum of orders at the minimum of losses.



Business is business both in Valparaiso, Chile, and in Valparaiso, Indiana. Too often it is assumed that a specialist is required for every phase of overseas trade, even when these phases directly correspond to phases of domestic trade, so far as fundamentals enter. The differences are only surface details.

Fortunately, it is a matter of daily proof in hundreds of well-organized houses with established export sales that the only real need is to acquaint the several departments already existing with the actual surface differences. These once mastered give to the export enterprise not only the experience of the business as a whole, but the individual experience and judgment of every man in every department through which the export order may pass.

The policy of executive control is highly important. The idea of a built-in export department presupposes that the same executives who control the destinies of domestic trade should be the rulers over export efforts. The day of the export manager who was king and whose annual report in the form of total sales went straight to the board of directors is rapidly passing. A built-in department involves the policy of control by an executive outranking the export manager.

*Who Shall Be in  
Executive Control?*

This policy is essential. There should be an

immediate and final court of appeal when differences arise which involve possible sacrifices of either domestic or foreign interests. It should be the duty of this executive to decide how much laboratory experimentation shall be authorized in trying to satisfy new foreign demands. It should be his duty to decide whether the difficulties of manufacturing or packing a product to meet some special export need justify the venture from the standpoint of the business as a whole. If the credit department and sales department remain wholly unreconciled on any matter of real importance, the men behind the business, who are responsible for its policies, should be the ones to decide, after hearing both sides of the matter. If the method of recording or compiling export information clashes with the standards and methods set for domestic procedure, there should be an authority to give final decision.

This does not mean that the addition of export responsibilities necessarily places sudden and great burdens on the executives. If a definite sales policy is decided, and, on the same basis, a system of routine and division of routine established, it is necessary only that the executive in charge of both foreign and domestic activities be kept advised of conditions and progress by means of occasional tab-

ulations and by perusal of important letters. Thus he will be constantly in a position to give intelligent decisions and make constructive suggestions.

Coincident with the consideration of the policy of organization comes a study of the marketing policy. It is a wise procedure to test the various methods of making sales, holding a brief for no method until its effective-

*Determining the  
Marketing Policy*

ness is proved in each particular business. Even when one method is demonstrated to be more productive than another, it is still sound policy to consider the possibilities of combining several methods of sales attack.

Under marketing policy there are divisions and subdivisions, and subdivisions within subdivisions. There is the policy of using salesmen exclusively, of using correspondence exclusively, of using advertising exclusively. There is the policy of branch houses, the policy of exclusive agencies, of manufacturer's representatives, of many sorts of agents whose agencies in turn depend on various conditions, such as territories, sales volume, stock carrying and introductory work. There is the policy of selling only to wholesalers or retailers, or direct to consumers.

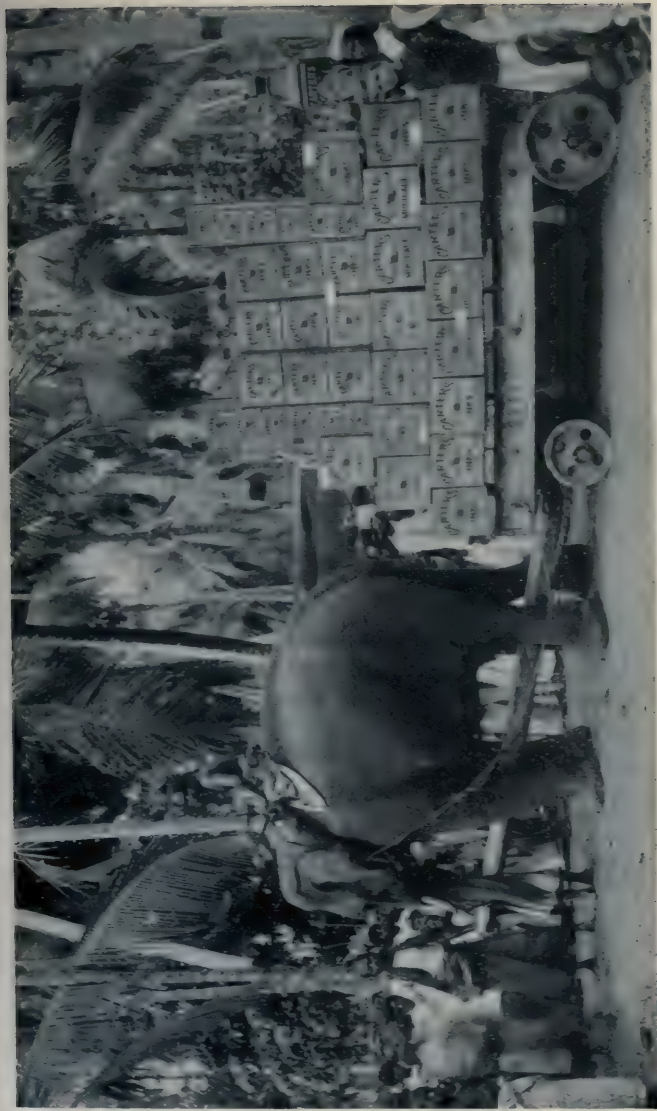
It is fortunate that civilization is not so divided as regards human desires as it is as

regards political units. Human desires and preferences are much the same the world over. As a consequence, experience in domestic markets will eliminate many of the varieties of selling methods and focus the prospective importer's attention on a select few.

The sound marketing policy is based on principles tested in domestic trade. It must have also sufficient elasticity to take advantage of the opportunities offered by the slightly varying characteristics of buyers in the various markets of the world. The firm which depends on any form of merchandising without the proof of its superiority by testing the other single forms and combinations of forms is going blindly. The firm which has exclusive salesmen, which has branch houses, which has exclusive agents of various sorts, which uses mail campaigns and advertising and which can justify each and every form of activity and time of activity by direct reference to its world plan, sets an example which the manufacturer would do well to examine, even if in the last analysis its products prove to be such that its broad methods must be modified to meet the requirements of the manufacturer's own line.

"Price policy" has been defined as the ways and means of securing the greatest possible net profit over a long term of years. Certainly





### AMERICAN INKS SOLD BY DIRECT METHODS IN CEYLON

By adapting the principles tested in domestic trade to the varying characteristics of foreign lands, a sound marketing policy can be constructed.



this definition does not make the fatal error of considering discounts more important than profits, or paper profits more important than a graded distribution of real money profits among manufacturer, wholesaler and retailer.

*What Shall the  
Price Policy Be?*

Among other questions affecting a price policy might well be: "What is the actual service rendered by the product; is it sufficient to warrant the charge that is being made to the customer?" "What ingenuity as exhibited by patents and exclusive conveniences will permit additions to the margin of profit?" "What is the volume of probable business to be, and how will it affect the per unit costs of manufacture, marketing, etc.?" Lastly,—the final test—"What will the business bear, what price will the product bring after proper presentation?"

It is far more important to decide upon the price policy, allowing an ample margin of profit covering every expense of selling as well as of manufacture, than to consider such details as whether list prices with discounts or net prices should be employed. After all, such a consideration need not be dignified by the name policy. It is really a matter of expediency—of competitors' practise or local whim.

There are certain lines which traditionally

are sold in all parts of the world with discounts from uniform list prices. In these lines a newcomer, by stating that his discount is 50, 60 or 70 per cent., at once defines the quality of his goods and the prices at which they are sold. In other lines net prices are the rule; here a newcomer with list prices and discounts would be under suspicion until he produced some valid argument for using a price basis different from established custom. There is no universal law (universal either as to merchant or manufacturer) which defines the correctness of discounts from list prices and their percentage, or of constant or fluctuating net prices. Because of this lack, any attempt to lay down a formula is unsafe.

## II

### The Built-in Export Department

ONE of the first problems in establishing an export department is the question of its location. Where shall headquarters be?

Many manufacturers whose domestic business is conducted from inland offices and factories have placed their export departments in New York or the nearest large port. Such a location affords convenient connection with transportation facilities, it gives frequent contact with large export commission houses, and it is the headquarters of buyers from abroad. There can be no vital argument against establishing the export office in a port city, provided the line is of such nature that it must be sold largely, if not entirely, through the medium of export or commission houses. There is positive reason for such a location if the line is one which attracts a steady stream of foreign buyers, and if the home office and factory are situated far from the port which these buyers habitually visit.

The moment the question becomes solely one of transportation difficulties, the situation changes. For it is entirely possible to make arrangements for the proper forwarding of



almost any commodity from an interior point. Even if a New York office is deemed desirable, and by clearing the firm's shipments proves self-supporting, it is not imperative that this office be in charge of the export manager.

Why not establish export headquarters at the factory? This arrangement is favored by many concerns. The greatest essential to the

*Where Shall Export  
Headquarters Be?*

complete success of the built-in export department is that it have at all times easy access

to some one entirely conversant not only with the details of each department, so far as foreign sales and shipments are concerned, but with the relation of each department to the others. It is a costly duplication to have a man of this type at the factory and another at the shipping port.

Again, it is essential that the export manager be in close touch not only with the executives but also with every activity of the business and its personnel—the men who make, ship, advertise, credit, finance and collect. At the factory he is in a position to go more deeply into manufacturing and packing methods, to keep in harmony with the domestic developments of the inside machine and to capitalize the constant opportunities afforded by improvements in it.

The functions of the export department may be classified under three divisions: First, preliminary duties; second, development duties; third, permanent duties.

Under preliminary duties is first the determination of policies and the general plan of procedure. This done, it becomes necessary to equip the department with proper tools in order that its efficiency may not be handicapped.

*Planning and  
Equipping the  
New Department*

A prompt study of the various aids to exporters should be made, and the facilities offered by such public institutions as the Bureau of Foreign and Domestic Commerce and the Pan-American Union considered. The next step is to learn what is offered by the semi-public organizations—such as the Philadelphia Commercial Museum, the National Association of Manufacturers, the National Foreign Trade Council, trade associations and chambers of commerce. All these agencies are considered in the twelfth Unit of this Course.

The next step is the acquisition of an export library. In the bibliographies which form a part of this Course the export manager will find a list of reference books of inestimable value. The United States government has issued many publications containing specific information on problems. Their acquisition

at the nominal prices charged should form one of the first duties of the export department.

So far we have assumed the existence of an export manager. If the decision to export and the policies governing export procedure have been made by executives already more or less familiar with foreign trade, it is certainly a preliminary function of the unheaded export department to decide upon a means which will insure a department head subordinate to the executive, in the same degree as the domestic sales department is subordinate.

*Choosing the  
Export Manager*

This opens a choice of three methods. The firm may hire an experienced export manager from some other house; or it may undertake to develop a minor employee into an export manager; or it may transform a domestic sales manager into the export manager.

Hiring an experienced export manager has this advantage: That it will bring to the business a man with such knowledge of export details and policies and successful campaigns that sales results will be realized at a much earlier date than by any other method. But the supply of trained export managers is far less than the demand. Finding the desired expert is generally difficult. Moreover, such

a man must be initiated into the details of the product to be marketed, and must learn the domestic policies, history and traditions of the firm he is to represent. He is a stranger and lacks the personal advantage of established friendship and confidence. In general, it may be stated that wherever time is an important factor and financial resources are great, the objections to bringing in an experienced man from the outside are outweighed by the advantages.

The firm which feels it the part of wisdom to proceed so that the investment at any stage in the development process will never be much greater than the possible returns is likely to consider favorably the second method suggested.

*Training a Man  
"In the Job"*

By investing a fair amount of executive time, it is entirely feasible to elevate a minor employee gradually to the post of export manager. In this case the training should be along dual lines: study of export methods and study of the manufacturer's business with a view to acquiring the knowledge essential to any department head. This includes, of course, developing a proper perspective and a sense of balance.

The third course—that of transforming a domestic sales manager into an export manager—is seldom employed. It is often er-



roneously assumed that export experience and export balance can be acquired only by climbing the ladder from export invoice clerk to export manager. Any sales manager whose mind is not in a rut, when placed in a position to give his undivided attention to exporting, can quickly master its essentials. This means getting acquainted with the personal side of successful exporting. It means some traveling. It means visits to the various institutional sources of information. One excellent source of training for the experienced domestic sales manager in taking up the new work is frequent personal contact with the men and institutions whose lifework has been and is to foster foreign trade.

*Learning the  
Technique of  
Foreign Trade*

The new export department must early acquire a thorough knowledge of the surface details of foreign trade where these differ from the surface details of domestic selling. This is a fundamental. It is a waste of money and of time to solicit business in the wrong way, to handle orders in such a manner as to annul the possibility of future orders, or to offend hopelessly the very merchants who, with the treatment they deserve, might become the backbone of the foreign business. Ignorance and carelessness of small details have brought just such results.



The development period of the export department's natural life never ends. There are constant advances in the art of selling goods, in the science of handling records and in the efficiency of cooperation.

The real phase of development begins when a definite foreign trade campaign has been planned, and the various sales instrumentalities have been acquired and adjusted. This development then includes the acquisition of salesmen and their training, a study of the characteristics of each market to be entered and of the methods to be employed, and the creation of a smoothly working set of wheels within the existing wheels of the domestic organization, so that orders from their receipt to their collection receive not only mechanical accuracy of treatment, but the human touch which alone can change the relation of buyer and seller to that of partner and partner.

The permanent function of an export department is to obtain the greatest possible net profits from sales abroad. This involves many factors. It requires knowing the limit of profitable sales expense, knowing the limit of production which can be marketed efficiently by the organization, and it includes the constant carrying out of well-balanced plans.

*Net Profits the  
Aim of Exporting*

The export organization varies not alone

with the nature of the product, and with the changing conditions in other lands, but with the abilities of those in charge of overseas trade.

In export as in domestic selling, men must choose the weapons which they can wield best. The type of man who thinks quickly and executes startling campaigns with the brilliancy of a general, would be a mediocre performer if his weapons limited his style of activity; while the more conservative type of man would doubtless make a failure if called upon to use only weapons which must win or lose all at a single stroke.

"Is it wise to establish branch houses abroad?" This is a favorite question with the prospective exporter. It cannot be answered off hand. In actual export work many hairline decisions on dozens of factors must precede such a

*Branch Houses  
Abroad*

query. The best practise is to avoid creating branch houses, except when the type of campaign is such as to call for a long siege, when the expected results justify the enormous expense involved, and when the heaviest of sales artillery is needed—stock, executive authority and a big organization in the foreign field.

The branch house must be charged, sooner or later, with the terrific burden of double overhead expense. Moreover, the expense

must go on over a long period. The branch, once established, must be continued. It cannot be employed as a temporary expedient, to be withdrawn when once it has accomplished the purpose of introducing the firm's line of goods. For in territory where a branch house has been operating, the buyers have become accustomed to the extra service which it affords, and would sorely miss its withdrawal. The withdrawal would be immediately followed by a loss of patronage of those customers not in a position to import direct, but who are yet of sufficient size to resent the interposition of a middleman in their dealings with the export manufacturer.

The economy and efficiency of a built-in export department depends, as was pointed out, upon the full cooperation of all the departments within an organization. What is the division of duties and responsibilities among these several departments? What should each contribute to the cooperative effort? What should each expect from the other?

*Division of Duties  
among Departments*

The production department is entitled to the best estimates of probable export sales, in order that it may buy its raw materials wisely. It should be held responsible for the covering of these requirements, which, of course, be-

fore reaching it have received the approval of the executive who supervises the export manager. The department must also cooperate in adapting packages and interior packing to export requirements, where these differ from established domestic standards.

The traffic department should be in charge of exterior packing, crating, routing and securing transportation. It should see to delivery of export orders to the transportation company, and should attend to the details of insurance.

The advertising department is the executive department of publicity here as in domestic business. It should write the copy for foreign advertising, should attend to the technical details of printing, and give the benefit of its experience in deciding upon the relative merits of export advertising plans, where these are clearly divorced from sales propositions.

*Passing on Foreign  
Credit Risks* The credit department should pass on foreign credit risks. It should be supreme as against the export department, but not against appeal to the executive in control of export work.

The records department should handle all export history and statistics. It should carry these in such form as will best serve the pur-



poses of the organization as a whole, naturally changing existing domestic practise on foreign records when this is clearly called for by difference in requirements.

The financial department is charged with deciding the amount to be appropriated for export work. It must also decide the practise to be followed in discounting foreign drafts or in financing its own shipments. It should have general supervision of the larger expenditure items of export trade development, leaving all minor decisions to the regular routine supervised by the executive.

The collection department should work along lines approved by the settled export policy. It must clearly divorce from its methods all domestic systems which are clearly inapplicable to foreign countries.

With all departments definitely aware of their parts in the export scheme, each alert in its relation to each of the others and to the general plan, the built-in export department is ready to enter upon foreign trade.

### III

#### The World as a Campaign Field

**T**HE entire world must be considered in planning the foreign campaign. Even if the prospective exporter contemplates at present entering only one continent, he ought, for the sake of possible future expansion, to review all the markets of the world and base his selling campaign on this survey.

The exporter who neglects to take this world outlook will find his overseas business, in the course of a few years, precluded from the fullest measure of growth by the very narrowness of his original plan. His business will resemble an edifice in which a small main building has been repeatedly enlarged by the addition of an ell here and an ell there until the structure has not only lost all symmetry but has reached such a stage that further enlargement is impossible except at the sacrifice of existing construction. The exporter should be his own architect before he becomes his own carpenter.

This "plan-as-you-go" method is dangerous. It has been demonstrated so by the experience of scores of exporting manufacturers in the United States. Examples are many in which

the failure to see broadly and plan comprehensively at the start later hindered the profitable sending of salesmen on long trips, or limited export advertising to purely local efforts, or dangerously complicated arrangements for entering new territory. *The Danger in "Plan-As-You-Go" Methods*

Nor is the "hit-or-miss" policy justified because an exporter is financially unable to launch at once upon a world-wide campaign. The idea of a comprehensive plan does not require that the plan as a whole be put into immediate execution. There is no necessity for a simultaneous attack on all markets; but there is a very decided necessity for a plan which assigns to every market its place in the general scheme, a plan which will permit later attacks upon fields impossible of exploitation at the start. The formulating of such a plan requires brains, initiative and energy.

Yet sound policy does not allow expense without prospects of profit. The main idea we must keep ever in mind. The object of our foreign trade venture is profits.

Which then, for us, is the most profitable field? Where shall the initial attack be made? How shall we organize our world-plan so as to realize on existing opportunities as well as to harmonize present developments with future expansion? *Choosing the Initial Territory*

Let us assume that our product is one which appeals to the great bulk of civilized and semi-civilized people, that it has a market, greater or less, in nearly every fair-sized country.

We open our atlas to the double-page map of the world and divide its land surface into:

*Charting the Earth's Surface*

1. The United States.
2. Canada and Newfoundland.
3. Mexico, The West Indies, Central America, The Guianas, Venezuela, Colombia and Panama.
4. The remainder of South America.
5. The portion of Europe including Scandinavia, Germany, Austria, Belgium, France, Spain and Portugal.
6. The British Isles.
7. Russia and Siberia.
8. Morocco, Algeria, Tripoli, Egypt, Italy, Turkey and the Balkan States.
9. Asiatic Turkey, Arabia, Persia and Abyssinia.
10. Afghanistan, British India (including Ceylon and Burma), Straits Settlements, Siam, French Indo-China, Java, Borneo, and all islands between 10 degrees north and 20 degrees south.
11. Australia, Tasmania and New Zealand.
12. Philippines, China, Japan and Hawaii.
13. Alaska.
14. Africa south of 10 degrees north, including Madagascar.

We make no pretence that this division is ideal, even for a single line of merchandise. It does furnish, however, a working basis for



intelligent consideration of exporting as a world business.

As we are thinking of a future at least ten years away, we must include Mexico. The oval which includes all countries bordering on the Gulf and Caribbean and all islands therein offers exceptional temptations as well as advantages

*Looking a  
Decade Ahead*

to the export beginner. It is near at hand, and (if we except Haiti and the Guianas) requires Spanish as the only addition to our business literature and to the linguistic accomplishments of our salesmen.

In considering even this small territory we begin to see the reason for considering all. An attempt to route a salesman with due regard for economy shows that the Guianas and the interior cities of Venezuela and Colombia lie off the beaten path. And Central America, with its two coasts, supplies a puzzle no exporter has yet solved to perfection.

Viewing the problem from the standpoint of economy we might well consider it safe to seek exclusive agency arrangements in each of the Guianas on a five-year basis, even though our line is one which in theory should be sold by our own salesmen direct to wholesalers or even retailers. By looking ahead for five years, we may discern that as our sales increase in the other countries of this group we shall

need to devote the entire time of two men to the little oval: one covering Porto Rico, Haiti, Dominica, Jamaica, Cuba and Mexico, and the other the Guianas, the Lesser Antilles, Venezuela, Colombia, Panama and the several republics up to the southern boundary of Mexico.

More insight into the value of a world-plan comes when we omit from our salesman's initial trip the interior cities of Colombia—Bogotá, with a population of 150,000; Medellin, 60,000; and the several small towns on and near the Magdalena which a salesman would naturally cover in visiting these two cities. We decide that it is our part now to prepare these remote cities by correspondence for our salesman's visit a year later, so that he may not be an utter stranger in a strange land, carrying unknown brands of an unknown firm of unknown responsibility.

Thus, simultaneously with our salesman's first trip, we find ourselves looking for suitable agents in some cities and introducing ourselves in others preparatory to his second trip. There is a third matter for consideration. Surely

*Preparing the Way  
for Salesmen*

we are not to ignore the several inland cities, or in the case of Colombia, its Pacific ports, even though we know that it will be many years before any salesman of ours will visit

them. No. We decide to cultivate these future markets now. We must prepare the way for our salesman. We must seek direct sales by correspondence and indirect sales by other means in order to lay the foundations for our future campaign.

It is now a simple matter to understand why we speak so confidently of the need of looking a decade ahead. The little section of the world we have just had under the microscope epitomizes our real problem. The need of a basic plan is too apparent to require argument. Careful foresight and keen analysis must go into the making of this plan, so that the loose ends are gathered together and the future safeguarded.

It is as though we were sifting the world's markets with sieves of varying mesh. We drop all the territorial divisions into the sieve with the finest mesh; the ones that pass through are the smallest markets to which we will probably never send a direct representative. We repeat the process with the next sieve; our catch here is countries to which we may in some distant future send our salesman; for the present it is safe to bind ourselves for five or ten years on the exclusive agency basis. So we go on through the series. Finally we come to the big markets which will be visited im-

*Sifting the  
World's Markets*

mediately—as soon as we have prepared the way and trained the men.

Here we can stop analysis and begin to plan. With several outline charts of the world, and colored inks, we lay out the possible routes for salesmen for the next ten years, realizing in doing this that it is more for insurance against crossed circuits than for immediate need.

On a second series of charts we block out solidly in one color the countries which passed through the smallest mesh, the impossibilities for direct salesman treatment. We proceed with the next group in another color, and so through the series until we have before us a visualization of our several plans and are in a position to take one large outline map and chart upon it our plan as a whole. We may expect to meet with many surprises; we will be forced to retrace steps, to modify some minor plans and to rebuild several times before the finished chart is free from inconsistencies.

While it is obvious that the plan for any two lines, or the judgment of any two men on any one line, would not yield the same layout, it is worth while to indicate what such a chart for

*Specimen Layout  
of a World-Plan*

1925 might well show:

1. Alaska—agency, ten-year basis.
2. Salesman 1—all Canada.
3. Salesman 2—Mexico, Central America, Panama, Colombia, Venezuela.









4. Salesman 3—Cuba, Porto Rico and remainder of West Indies except certain islands served by mail, because impossible to cover economically otherwise.
5. The Guianas—agencies in each.
6. Salesman 4—Brazil, Uruguay, Argentina.
7. Salesman 5—Chile, Peru, Bolivia, Ecuador.
8. Salesman 6—British Isles.
9. Salesman 7—Norway, Sweden, Denmark.
10. Russia and Siberia—agencies in six largest cities, remainder by mail.
11. Iceland—all by mail.
12. Germany and Austria—agencies by territories, probably eight divisions.
13. Salesman 8—remainder of Europe except Italy and Turkey.
14. "Round the World" Salesman 9—remaining Mediterranean countries and British India, Siam, Java, Australasia, Hawaii.
15. All small countries in Africa—local agencies.
16. British South Africa—agencies in 14 cities, also covering Madagascar.
17. Persia—mail and agencies.
18. Afghanistan—covered through agency in Karachi; British India.
19. Salesman 10—China, Japan, Philippines, Korea and certain Siberian cities. All islands not covered by Salesman 9.
20. Odds and ends—"exclusive mail" treatment.

To reach these varied and widely scattered fields there are four selling weapons: First, correspondence—the written word; second, advertising—the printed word; third, salesmen—the spoken word; and fourth samples—the concrete fact. Disregarding the lines

which for any peculiar reason necessitate the use of only one or two of these weapons, it is manifest that all of our work in providing an adequate inside organization, our labor in charting the world for foreign sales, and our careful plans for lines of attack converging a decade ahead, are toys and tinsel unless the selling punch can be put into export activities by the use of the weapons at hand.

## IV

### The Well-Balanced Campaign

**T**HIS chapter is a plea for balance in the export sales campaign. It is a warning against accepting any one agency as sufficient or of preponderant value.

Those who hold that salesmen are the last word in any merchandising may be shocked to learn that the losses due to the exclusive use of salesmen abroad are probably greater than those resulting from either correspondence or advertising failures. This is attributable, of course, to the larger investment required by the salesman's salary and expenses.

Time after time, American manufacturers have sent salesmen—good, bad and indifferent—to Europe and South America ignorant of conditions or unprepared to deal with them and have reaped a harvest of losses.

This was often due to the house's failure to prepare the market for the salesman's arrival. The latter was driven to abandon direct selling to make friends for his house. He found that dealers had been promised regular visits, advertising and other special services by preceding travelers. They absolutely refused to deal with a new firm whose salesman was the

*Preparation Must  
Precede Selling*

first to acquaint them with its existence. One salesman who started out with the samples of eight Chicago manufacturers could not make a sale on the west coast of South America, except orders conditional on consignment. His houses had neglected to use either correspondence or advertising to introduce themselves and it was impossible to talk goods and prices on his first trip.

Except with unusual products and under unusual conditions, no one selling force is sufficient. But it is not enough to know this. The correct proportion, order and occasion for using each of the selling forces must be determined before really efficient export work can be begun.

We are discussing, not the broad question of universal export trade, but that of a well-balanced campaign in a specific market known to be worth special attention. Let us take a simple case and analyze its possibilities.

Take Buenos Aires as our market. The Argentine capital is coming to be known for what it really is—a city of 1,500,000 population, whose buildings, public service companies and inhabitants are typical of metro-

*A Modern  
Metropolitan Market*

politan development everywhere. It is a market for everything for which Boston, New York or Chicago is a market. There is no



question whether Buenos Aires will buy cash registers, safety-razors, artificial board or toilet articles—it has, it does and it will.

Assume that for fundamental reasons we decide against direct sales to consumers and against establishing a branch house in Argentina. We then approach the question of agency handling of our line as against the alternative of general trade distribution. To decide this wisely, we consider the nature of our product. Is it one which demands a central stock from which dealers can be supplied? Does it call for widespread trade distribution, yet can be sold direct from factory to dealers? Can it be sold to best advantage by a single agency dealing directly with users? Or does it require an exclusive service bureau for instruction and repairs?

Suppose our line is dictating machines. Obviously it falls into the last class. Domestic experience proves that this product should be sold by an exclusive agent direct to the offices where it will be used, rather than distributed to dealers to resell. This decision made, the next problem is to find the agent who will best serve our interests.

*Product Requiring  
Selling Through Agent*

Again we must analyze. The situation demands a stock of our machines in Buenos Aires, a repair department and expert spe-

cialty salesmen. Further, it becomes apparent that in a city of 1,500,000 we must do more than grant an exclusive agency; the market is too big for us to expect its quick covering by any sales force the agent will employ. We are forced to build our campaign, therefore, not on any one sales device, but on a combination determined by knowledge of what each will do in conjunction with the others.

How shall we go about securing the agent? From lists of manufacturers' representatives and agents for typewriters, adding machines

*Finding the  
Agent*

and office appliances we can pick possibilities. Credit reports on file with export institutions will guide us in the final choice of agents who are honest, long-established and of adequate financial resources.

We might write to all of these. It would involve merely the preparing of a form letter in Spanish, setting forth our proposition and asking their decision. This would be a lazy man's method, sure to result in complications and criticism. Sooner or later it would be common knowledge in trade circles that we were offering our agency broadcast, and the natural conclusion would be that it was not worth much.

We might advertise for an agent in the Buenos Aires newspapers or in American ex-

port journals. This would be preferable to the form-letter method, but still unsatisfactory because of the indiscriminate character of its appeal. After considering all possible methods of approach, we finally decide to seek an agent direct, through individual appeal.

We know now, in general, what qualifications our agent must possess. Before approaching him we must decide *what we can offer him*.

*Deciding What to  
Offer the Agent*

First of all we must decide how much we can spend on selling efforts. Such a decision must be based, of course, on a careful estimate of probable business. We know the number of typewriters already in use—our study of the Argentine market has developed that information. It has also taught us local conditions, commercial practise, standards of office equipment—all of which furnish a basis on which we can figure probable sales.

In order to get a fair average of results, we figure over a ten-year period, realizing that the heaviest expense is sure to come in the first year, when probable returns will be lowest. From this estimate we decide on the kind of campaign we can afford, how much expense we can stand in agency helps, and agree that it will be good business to send a personal representative to examine the field, select the agent and cooperate in the introduc-

tory work that counts so largely in final results.

What, then, can we expend in promotion work and agency helps in actual dollars and cents? Assuming that the possibility exists

*Promotion Expenses  
the First Year*

of selling 20,000 \$150 machines in ten years—a \$3,000,000 market—our domestic ex-

perience prompts us, on an estimate of \$150,000 sales for the first five years, to appropriate \$15,000 for promotion expenses the first year. Roughly we divide this:

Six months' salary to salesman.....	\$2,500
Six months' expenses at \$15 a day.....	2,700
Correspondence with consumers.....	1,500
Advertising, including literature.....	5,000
Costs of demonstration, entertainment, sample machines and miscellaneous...	3,300
	<hr/>
	\$15,000

This first year's schedule is by no means our yearly guide. The second year's balance sheet will show for Argentine expenses:

Six weeks' share of salesman's South American trip .....	\$600
Expenses, 42 days, at \$15 per day.....	630
Correspondence with consumers .....	3,000
Advertising .....	3,000
	<hr/>
	\$7,230

This is a decrease of more than 50 per cent. The sales attack has shifted; direct corre-

spendence expense has doubled, while advertising has been cut two-fifths. The expense of demonstrations and entertainment has been diverted to the agent. Our salesman now needs to spend only a fourth of the six months in this territory, mainly to "close" difficult prospects and to coach the agent's sales force.

The third year's outlay would be similar, except for the reduction of correspondence expenses to about \$1,000, as our agent's salesmen cut our mailing list by eliminating useless prospects. The \$3,000 advertising item would never go higher, unless sales ran unexpectedly low, requiring extra appropriations for publicity.

*The Offer to  
the Agent*

Our offer to our prospective agent would be:

1. Exclusive rights for ten years. (This is of foremost importance to the agent.)
2. Six months' service of our salesman the first year. (The salesman, in addition to introducing the product and assisting in initial sales, would be of further service to the agent in training his salesmen and in establishing a service and repair department.)
3. Five thousand dollars in varied forms of publicity the first year.
4. The service of our correspondence department in writing 10,000 prospects.
5. Ten demonstrating outfits free, entertainment of 20 largest users of typewriters, and the temporary quarters for tests to prove to prospects the economy and other advantages of our machine.



We would then outline just what we would do for our agent in each of the ten years.

From the agent we would expect in return:

(1) The following business: \$10,000 the first year, \$20,000 the second year, \$25,000 the third year; and from the third to the tenth years an annual increase of 10 per

*Sales Volume Expected  
on This Basis*

cent.; (2) The assumption by him of demonstrating and entertainment expenses after the first year. We would also ask him to agree to an advertising expenditure based on 5 per cent. of sales, plus his own appropriations.

There would be other clauses in the agreement covering details as to prices, terms, cancellations and non-acceptance of competing agencies; but the meat would lie in the guaranteed yearly sales in return for guaranteed territory and cooperation.

An advance layout of the advertising campaign would fill a hundred-page loose-leaf book. Expert service will be required in

*Advertising*

planning and execution here. The criticisms of the agent, of local advertising agencies and of our own salesman will furnish material and suggestions for improvement in picking the selling arguments most effective in the printed word. The most productive appeal in one market may be of negligible value elsewhere. Above all, we

must adjust our arguments to competition or the lack of it. If we are first in a market, our initial task will be to sell the idea behind our machines. Where competition exists, it may be wise to emphasize the exclusive features which our rival lacks—though it is poor business to advertise a competitor by overcomparison.

Correspondence with prospects is a strong factor in promotion work. We can pay visit after visit by mail, fanning into the flame of desire the spark of interest lighted by our agent and his sales force. *Correspondence*

We can use in this mail attack individual letters, circular matter, booklets, private mailing-cards and bulletins. There is ample scope for ingenuity in varying the selling arguments so as not to weary the prospect.

No small part of our correspondence must be devoted to the agent and his force. To them we shall have to sell and resell our product over and over again. When interest lags we must urge them on, *Training the Agent* not only with "ginger talks," prizes and contests, but with constructive letters showing how difficult prospects have been sold elsewhere and reciting actual arguments which convinced hesitating firms.

We must remember also that our agent is worthy of intelligent regard. His opinions

deserve respect, and his suggestions merit consideration. Even though we may not agree with some of his ideas, it will be well to accept his promotion plans. If they fail, he will be careful in future cases; if they succeed, he will be more of a coworker than before. The average manufacturer is prone to believe (often unconsciously) that he knows all the possible selling ideas for his product. Often he offends agents and dealers by rejecting suggestions with scant consideration. "Your scheme is against our policy" is a tactless reply to an agent's suggestion. If the manufacturer's policy cannot be explained, it needs overhauling. If it can be explained, the agent who is progressive enough to suggest new selling schemes is entitled to the courtesy of an explanation.

*No Model Export  
Sales Campaign* Simply because a particular campaign is well-balanced, it does not follow that it is necessarily a model to be followed in selling another product. It would be absurd to compare a selling campaign for dictating machines, in which sampling is obviously impossible, to that of a food product for which sampling is necessary to sales success. In both cases, however, the underlying principle is the same; there must be a well-balanced plan of campaign, making every use possible of the va-

rious weapons at its disposal. For the great advantage of the joint use of selling weapons is that each element strengthens the others when properly employed. The resulting total is not one of mere addition but often of a multiplication of efficiency.

## V

### Exclusive Agency Contract

**T**HE agent having been chosen, the exporter's offer made and favorably considered, there remains the task of drawing up the contract.

An exclusive foreign agency contract is a written agreement between gentlemen on points of mutual business interest. Its primary object is not legal protection. Too often this is the attitude in negotiations preliminary to the signing of such an agreement. Fundamentally the purpose of the contract should be to summarize the essential points in the relation of manufacturer and representative so as to preclude misunderstanding.

Confidence is of first importance in the mutual relation involved in an exclusive agency agreement. No written paper can

*Confidence the  
First Essential*

fully protect the rights of one contracting party against the wilful aggression of the other. If in preliminary correspondence either party feels that confidence can come only from the protection offered by the contract itself, the business relation should never be entered into. No contract is stronger than the intentions of the contracting parties.



In the contract the manufacturer concedes to the agent the exclusive right to sell his product in certain territory. To eliminate any possible confusion the territory should be specifically stated. *Territory Should Be Plainly Defined* Recently there was a controversy over a contract in which "Great Britain" was mentioned and "England" was intended. Another contract specified "Guatemala," when only "Guatemala City" was intended. Another granted the exclusive agency "for the north of Peru" without defining the exact southern boundary of the territory.

The number of months or years the contract is to run should be fixed, subject to renewal if mutually desirable. To be equitable the contract should run long enough to allow the agent ample time to reimburse himself for the initial expense of introducing the product. *Specify the Duration of Contract* Manifestly, the nature of products varies so widely that no definite period of years can be recommended as the proper duration of a contract. The circumstances attending the establishment of each individual agency must be considered.

For products requiring the minimum of introductory effort a year from the date of first shipment will often give ample opportunity to determine whether or not the contract is

mutually profitable. For other lines where introductory work is more difficult, the term should be three, five or ten years, in order to protect fully the interests of the agent.

After defining territory and duration, the contract should specify the exact status of the agent. Is his relation to the manufacturer that of:

*Status of the Agent*

- A buyer,
- A buyer with commission on other sales,
- A resident representative on salary, or
- A resident representative on commission?

These are the four basic relations. Sometimes they are combined. Sometimes special limitations are set to the agent's activities. Sometimes additional remuneration is given—such as allowances for traveling, advertising and other expenses.

One important limitation is that often imposed upon the agent with regard to the sale of competing lines. If the agent retains the right to sell rival products, this arrangement should be clearly understood and should be in the contract. If the manufacturer restricts the agent here, that restriction should be definitely stated.

In this connection, it is often fair that the agent be allowed to sell competing lines for a definite period. He cannot be expected to convince his customers of the superiority of

a new product in a day; neither should he bear the loss consequent to the abandonment of a line which he has been previously handling. After the stated period, however, he should *Shall the Agent Sell Competing Lines?* discontinue this, or should at least limit his sales to the absolute necessities of the individual market, always giving preference wherever possible to the products of the contracting manufacturer.

If the arrangement is to be the usual one of pure buying and selling, in which the agent is allowed certain price concessions and the maker restricts his sales solely to the agent, there need be no modifying clauses in regard to his selling. If, however, the maker is allowed to sell direct to other buyers in the restricted territory, the conditions of such sales should be clearly stated as regards prices, terms and commissions.

Broadly it is mutually profitable to permit sales direct to consumer if the prices quoted are substantially higher than those enjoyed by the agent and never lower *than the agent would quote*. In such sales the agent should be allowed as commission the difference between the invoice price charged the direct buyer and that which would be the price if the same goods were billed the agent. Through such an agreement the agent profits from sales

to firms which would never become customers unless their orders were handled by the makers direct—and he obtains this profit without prejudicing the interests of his own customers.

When the agent's relation is that of resident representative—remuneration coming in the form of salary, commission, a share of yearly

*Make Clear the Basis  
of Compensation*

profits or a combination of these—particular attention should be given to the wording of this compensation arrangement. Here, as everywhere in the contract, there should be precision and clearness, so that no conditions may arise which are not covered by the clear intent—if not the specific mention—of the agreement.

There are other details that must be covered in the contract—such questions as ownership of stock, responsibility for bad debts, depreciation and insurance of goods in agent's hands, division of expenses after arrival at port of entry and the disbursement of goods and capital involved in sampling and replacements. These should be borne in mind and provided for.

Failure to state clearly on what terms commissions are to be paid has resulted in the severance of many promising copartnerships. Too often hastily written agreements mention only the percentage or other basis of commis-



sions, failing to fix the time of payment. Whether commissions are to be paid annually or simultaneously with invoicing should be stated in the contract. It should provide for debiting back commissions in case the buyer to whom the agent has sold an order fails to pay. No room should be left for argument or misunderstanding.

A clearly worded division embracing the prices of goods is better than the mere statement of discount. Such a division should include these five matters: *Prices Should Be Specific*

1. The discounts.
2. The catalog and price-lists to which these apply.
3. The question of advances during the life of the agreement.
4. Extra charges for special cases and packing.
5. The F. O. B. point and whether on board steamer or on board cars.

So many lines are sold at a narrow margin of profit, particularly for export, that in justice to the manufacturer he should be allowed the protection of some such qualifying phrase as: "subject only to such advances as are made the foreign trade in general." This also protects the agent, as, unless the manufacturer is allowed to make a fair profit on his sales, he is very likely to care little about the agent's interests.



*Extra Packing Expenses* It is also only fair to such makers who furnish their ordinary shipping cases as stated in their catalogs to permit a cost charge for special cases necessitated by the local shipping conditions of the agent's territory. If the line is such that these extras can be absorbed in cost of manufacture and packing, the maker will frequently meet them himself. But it is not just to judge one maker's attitude on these points by the practises of a manufacturer of a totally different line.

Closely connected with prices and discounts are terms of sale. Loosely worded phrases such as "120 days," not further specifying when the "120 days" is to begin, should be avoided. Even if only time drafts or open accounts are considered, it is always well to provide against possible future need by including specifications with regard to cash discounts, payments by remittance with order, or other methods of financing to be explained in Unit VIII.

*Samples and Advertising Matter* What both parties have agreed regarding samples and advertising matter should be made a matter of record. In ordinary cases "propaganda" materials should be at the expense of the maker; their transportation and cost at port of entry (including duties and clearance

charges) should be at the expense of the agent. A clause used by a leading American manufacturer provides: "That the maker shall supply F.O.B. steamer New York City samples as specified by the agent not to exceed five (5) per cent. of the net amount of purchases called for in each year as specified in this agreement, and further obligates himself to supply under similar terms any other propaganda provided for other connections when its character makes it suitable for distribution in the territory herein described."

Although such a clause is not wholly enforceable in a court of law, it does clearly define what the manufacturer's intentions and his moral obligations are in this often disputed and misunderstood matter.

Summarized, the concessions made by the manufacturer are as follows:

*What the Manufacturer  
Concedes*

1. Exclusive territory.
2. Duration of contract.
3. Status of relation and method of compensation.
4. Discounts and terms.
5. Samples and advertising material.

Thus far the emphasis has been on the obligations undertaken by the exporting manufacturer. To make the agreement an incentive

to the manufacturer it is clear that the agent must assume an equivalent obligation. For the sake of clearness, clauses relating to the agent's attitude and duties should follow those defining the maker's duties.

*The Agent's  
Obligations*

It is customary that the agent shall agree to:

1. Refrain from the sale of competing products (subject to modifications previously suggested).
2. Give every preference to the goods of the manufacturer.
3. Use every reasonable effort to increase the sale of such products.
4. Purchase certain stated amounts in each year during the life of the agreement.

Such a contract permits the maker to anticipate future profits and justifies his co-operating generously with the agent in the early years of the agreement. It gives the agent a definite idea of the minimum sales volume expected.

Failure to reach the required volume of sales is commonly and rightly taken to constitute an automatic termination of the contract. Such a rule offers no hardship to the agent, for if special conditions, or circumstances beyond his control, temporarily limit his sales he will find the maker willing to readjust their relations on such accounts, provided the contract has been entered into with care.

After the concessions of maker and agent have been outlined, clauses of mutual obligation conclude the contract. The most important of these relates to cancellation of contract by the wish of either party. In no portion of the agreement is it more necessary that the sense of fairness absolutely dominate. Any cancellation must bear in mind the moral rights of both parties and should work no uncalled-for hardship on either.

*Cancellation of  
Contract*

To accomplish this, the contract should specify the period of advance notice to be given by either party terminating the arrangement. On a contract, for one, two or three years, three months is sufficient notice; on a five-year contract, six months; and on a ten-year agreement, one year. These allowances give the party notified time to make other arrangements.

Certain moral rights attach to each of the contracting parties in terminating a copartnership. To the agent is due recognition for whatever service he has rendered in introducing the goods; to the maker is due the right to secure new and adequate representation before his agent withdraws from the copartnership and becomes a competitor.

To safeguard these rights the following clause was devised by the writer with the as-

sistance and approval of representative makers and buyers:

“And it is understood that regardless of the party thus giving the required written notice of intention to cancel this agreement, the manufacturer shall give to the agent a commission of 10 per cent. on his net sales in the territory previously described, covering the six months immediately following the expiration of this agreement, the amount of this 10 per cent. being limited, however, to 10 per cent. of the net amount of such sales during the last six months in which this agreement is in force.”

It is further provided that during this additional period of six months the agent shall not solicit for a competing line the patronage of previous customers for the manufacturer's products. It will be noted that the commission on sales after the expiration of the agreement cannot exceed 10 per cent. on the sales in the closing months of the agreement. This offers an incentive to the agent to maintain the sales volume until the actual expiration of the agreement.

*A Clause That  
Safeguards Both  
Parties*

A notice of cancellation should be in writ-



ing—wherever possible by registered letter with return receipt, or through the bank customarily used in connection with drafts.

It is not for protection against dishonesty or against failure to live up to the general agreement that cancellation clauses should be included in the contract.

From the maker's standpoint they are necessary to cover him against possible changes in selling policy or management, or against possible abandonment of export business. They also anticipate certain contingencies in which the agent might wish to give up the relation—such as new conditions restricting the sale of the product, tariff changes, changes in business policy, or competition impossible to meet with that particular line.

*The Need for  
Cancellation Clauses*

Each exclusive agency arrangement is a law unto itself. No model contract can be laid down as a pattern. In this chapter the broad principles to be considered in entering into such contractual relations have been indicated rather than the technicalities.

Make your contract the exact expression of your views. Be sure that it is not ambiguous, and that it clearly defines the intentions of the parties involved. Omit no details as to territory, relations, prices, terms, duration and obligations. Then you will find it far more

effective as a document and of greater value for reference than any formal paper drawn with intention to be presented before courts of international law.

## VI

### Export Advertising and Sampling

**W**HETHER the manufacturer decides to deal through a foreign agent or through his salesmen or through a mail-order campaign, he must understand export advertising, export sampling and export letter-writing. They are efficient instruments in carrying on his well-balanced campaign; but they can prove to be efficient instruments only when they are properly understood and wisely handled. In this chapter export advertising and sampling will be considered. No effort will be made to discuss the science of advertising as a whole; for after all domestic advertising provides the manufacturer with all the fundamental principles that he will have to employ in his export advertising. Rather, attention will be directed to the principles that differentiate advertising in foreign lands from that at home. They are principles that are too often overlooked by the American advertiser. For despite the fact that we enjoy the reputation among foreign buyers of being the nation of best advertisers, it is humiliating to find that this judgment is rendered on the basis of our domestic, not of our export advertising.

Not long ago the manufacturers of a high-priced automobile, whose advertising in the United States is characterized by dignity and distinction, began advertising in foreign mediums. As it was *How an Export Manager Blundered* "an export proposition," the foreign sales manager insisted on writing the copy and preparing the layouts. The result was a type-page closely crowded with specifications and showing only a small cut of the car. The tragedy came when the first issue of the foreign publication appeared.

For this is what had happened. In the same periodical, on the page facing the advertisement, appeared another automobile advertisement. It offered a cheaper car, at one-third the price of the other; but the advertisement was a real ad, handsomely illustrated, attractively typed, with plenty of white space and display. Moreover, it contained skeletonized specifications which *seemed* to duplicate the \$6,000 car. Any sane buyer, judging solely by the two advertisements, would be forced to select the \$1,950 car as superior. When he compared prices it depended on the individual whether he was amused or indignant at the blundering advertiser.

The result is equally disastrous when advertising managers act entirely on their own judgment, choose foreign mediums against the ad-

vice of the export department, and prepare copy without seriously studying the market peculiarities abroad as they are known to the export manager.

Were it not for an intimate acquaintance with the owners and managers of export publications, it would seem incredible to the writer that any substantial

*Nor Should the  
Advertising Manager  
Dominate*

American firm would permit either the export or the advertising department to have sole authority over the printed presentation of selling arguments abroad. There must be expert ability and there must be intimate knowledge of the foreign field, if export advertising is to be profitable advertising. Surface differences that exist in every market of the world must be understood in order that the message may be presented in a form which will command favorable attention and not create chasms too great for any sales argument to bridge. Certainly the advertisement should contain some sales message, some convincing statement that will up-build good will abroad and make for increased sales.

There is one big New York corporation that is pouring several thousand dollars a year down a spout which has no end—and charging it up to “export expense.” Its error



is one of conceit. For it employs valuable space in a mere announcement of its name, address, and cable-address—with nothing to indicate its line of business!

*A Waste of Valuable Space* When proprietors of export mediums have called this company's attention to its opportunities for real advertising, it has rebuffed them, saying, "It is beneath our dignity to explain who we are. If they do not know, they are too ignorant a class for us to care to reach." Yet these very mediums touch market after market wherein its goods are unknown.

*The "Business Card" a Lazy Method* The "business card" is overprevalent in foreign newspapers and magazines. It is the lazy man's method of advertising. Brains are necessary to make a four-inch single column advertisement carry a real sales appeal. Yet, why shouldn't brains be mixed with printed salesmanship in the foreign field as well as with personal salesmanship? What manufacturer would keep a salesman who spent \$20 merely in order to visit a possible foreign buyer and say to him, "I represent Jones Manufacturing Company. We make shirtings," and say nothing more.

The business card's only service is to keep a firm's name before the public. In the foreign trade it seems to be the pet of the ex-

porter who has still to make his name known. To test such a use of space, the publishers of an export journal ran two quarter-page advertisements side by side, one giving the name of a novelty manufacturer, the other an illustration of a single item, attractively displayed. The first advertisement drew just three worthwhile inquiries; the latter brought \$1200 in orders.

One piece of copy will not do all that the exporter's foreign advertising is called upon to do. The golf-player chooses a particular club for a particular play, and varies his clubs according to the changing demands of the game.

*Copy Must Vary  
with the Purpose*

It is fair to compare to the "one-club" golf-player the business man who employs the same copy in foreign fields for such varying purposes as:

- Introducing his firm and brands.
- Creating trade demand.
- Creating consumer demand.
- Meeting existing competition.
- Introducing an article for which no demand exists.
- Securing direct orders.
- Securing commission house orders.
- Preparing for a local campaign.
- Meeting an emergency.

Every real exporter has faced these several situations. In personal efforts, through salesmen or correspondence, the great majority

have shown their adaptability by varying their method of approach to accord with the demands. But it would be exaggerating to compliment more than a dozen on the intelligence with which they have coordinated their advertising with their other efforts.

A definite plan should direct every dollar spent in foreign advertising. If export efforts must be confined to advertising, it must

*Coordinate Advertising  
with Other Selling  
Efforts*

shoulder the entire burden of creating and maintaining sales. If the advertising is to follow an aggressive local campaign, which has combined the efforts of salesman, agent, sampling and direct advertising, surely the follow-up should capitalize the lessons of the campaign, make good its defects, intensify its strong points and thus concentrate all sales activities.

This policy is fundamental. It is not always followed, however. Back in 1910, before, during and after a certain campaign in Rio de Janeiro, involving a crew of salesmen and a flood of literature, the local dailies carried unchanged the same stale copy supplied six years before!

Again in 1912, a local pirate (such as exist in Calcutta or Chicago) imitated the brand of a standard line of toilet articles. The American manufacturer spent nearly \$2,000

in legal investigation and in the prosecution of the adventurer, warned dealers against handling the line—and then continued to run an advertisement regularly every other Saturday portraying a line he had already abandoned.

We are all familiar with the new advertiser who buys space in order to exhibit the same prosperity as his advertising competitor.

We know his surprise when some one suggests that, to the expense of white space, he

*Make Your Advertising  
Purposeful*

add outlay for brains to employ that space intelligently. Put it down as an absolute rule that not a dollar should be spent in export advertising unless it be supplemented by copy that has a definite object ably presented.

Some firms, efficient in the use of the other selling forces, refuse to have anything to do with local advertising in foreign markets. They consider the results too problematical, its value too much a matter of doubt. An amusing experience came to an exporter of this type shortly after the outbreak of the European War, when its veteran salesman met an exceptional situation in Cape Town.

The firm received a cable from the salesman reading: "*Urgent necessity four hundred pounds introductory work. Details impossible; wire approval.*" Confident of the sales-



man's judgment, the house cabled the requested authority, and was rewarded a month later with a record volume of cabled orders. To every one's surprise the confirming orders

*Meeting a Profitable  
Emergency*

by mail were not accompanied by any explanation of the emergency. Even the expense report when received failed to reveal more than the simple entry, "Introductory expense—\$1,867.87."

In a letter congratulating the salesman the president expressed his interest in the details of the campaign, but this evoked only a pleased acknowledgment. Then a second cable, this one from Bombay, was received: "*Wire authority introductory expense hundred fifty pounds. Bigger chance than Cape Town.*" No time was wasted here in making an affirmative answer and asking frankly for full details.

The answer was absurdly simple. The veteran had run into a hotbed of anti-German feeling, and had taken advantage of it to exploit his specialties as better substitutes for the German goods which were both unpopular and scarce. Through good fortune he met an American advertising manager who handled all the details of the effective newspaper campaigns. The salesman knew that his firm would "mortgage the factory" to back his



judgment on any sales proposition. He knew also that nothing except a long fight by mail would induce the executives at home to change their policy regarding newspaper advertising in a foreign country.

But export advertising in its every-day rôle is not one of sensational stunts or dramatic surprises. It is like any other sales force of cumulative value if intelligence is used in its employment. Hugh Kahler has defined advertising as:

*Advertising Has  
Cumulative Value*

"A force which makes your goods less apt to be refused when offered." This negative description has a valuable application to export advertising.

No salesman without cooperation from his house can hope for maximum sales when the burden of introducing the firm, the product and the brand is added to his real work of selling goods. Advertising will help remove this burden from the salesman. Whether he is in San Francisco or San Fernandez, the attitude of a merchant or user toward an untried product which he has seen advertised is quite different from his feeling toward one that is utterly unknown. It is not too much to claim that the export advertising which "makes your goods less apt to be refused when offered" should be credited with the expense of the "get acquainted" trip it renders unnecessary.

One striking campaign of this nature preceded the visit to Latin-America of two salesmen representing fire-extinguishing apparatus.


*Featuring Salesmen  
in the Advertising*

The advertising campaign was carefully planned. Each advertisement featured the trip, gave the salesmen's itinerary and included their pictures. The copy was changed monthly, but emphasis was laid on the coming of the salesman. As the trips progressed photographs of orders were reproduced and testimonials were published, thus giving actual evidence of the demand created in other cities. Such advertising was remarkably effective in its appeal to dealers, the success of the campaign in one city furnishing ammunition for the campaign in the next.

One fatal error is exemplified in the experience of a manufacturer of nationally advertised shoes, who used strong dealer copy indiscriminately in export mediums. The natural result was that consumers refused to buy a line which persistently harped on the profit to dealers and showed at the same time that the retail price was inflated.

The wise export advertiser plans to balance his appeal, so that it will reach both classes effectively. To him it becomes an art to turn a consumer inquiry into a dealer order, using the argument of created demand with the





# АЛЛИГАТОРЪ

**АЛЛИГАТОР**

[illegible][illegible]

**Торговый Домъ**  **Плюймъ-Оксъ**  
 Петербургъ. Казанская площадь, 3. Тел. 143-02.



Грузовая ПИЕНС — АРМ

**КРАТНИЙ СРОКЪ**  
прѣма распоряженію  
**НА КОНКУРСЪ КОДАКЪ**  
**МОМЕНТОВЪ**  
**УДОВОЛЬСТІЯ**  
**И ВЕСЕЛІЯ-**  
истекать 1 октября с г.  
Послѣдите  
съ доставкой.

Общая сумма  
призовъ  
**26,450 руб.**

**Акц. Комп. КОДАКЪ**  
С.-ПЕТЕРБУРГЪ, б. Конюшенная 19 МОСКВА, Петербургская 18 и 16.

[illegible]

ГАРГОЙЛЬ

THE CAR OF 80'S. NO MYSTERY

**KING**

ВОСЬМИЦИЛИНДРОВАЯ  
Мотор 8  
Цена с полным снаряжением  
1350 долларов.

ЧЕТЫРЕХЦИЛИНДРОВАЯ  
Мотор 5  
Цена с полным снаряжением  
1165 долларов.

Б.О.Д. Дублин, Ирландия

[illegible]**Parke, Davis & Co.**

Доводить до свѣдѣнія мѣсечными учрежденій и  
Гг. врачей, что въ настоящее время нѣтъ на  
скалахъ и получается постоянно свѣдѣнiя изъ Англии  
въ достаточномъ количествѣ

**ПРОТИВОСТОЛБЯЧНАЯ СЫВОРОТКА**  
 которая выигрывает по скорости титрования.  
 Сыворотка Р. Д. и Со. производится многими правительственными учреждениями. Значит и в Городе  
 сильны союзы и учреждениями Красного Креста.  
 ИЗГОТОВЛЯЕТСЯ ПОД КОНТРОЛЕМ ПРАВИТЕЛЬСТВА С. Ш. С. А.  
 производится в ПАТОЛОГИЧЕСКОМ ЛАБОРАТОРИИ  
 КОМЕРЧЕСКОГО УНИВЕРСИТЕТА.  
 для ПРЕДОПРЕДЕЛЕНИЯ и ЛЕЧЕНИЯ ВЕД.

—погрядъ, Б. Конюшенная, 19/8.

АВТОМОБИЛИ

**ФОРДЪ**

Прибыли модели 1914 г.

**ФОРДЪ**

УНИВЕРСАЛЬНЫЙ АВТОМОБИЛЬ

**ДУБЛЬ-ФАЭТОНЪ**

Courtesy *The America*.

AMERICAN ADVERTISING IN RUSSIAN PERIODICALS

By using the reader's language, exporters in the United States are establishing a reputation for their goods broadcast in the Russian markets.

dealer. In the case of a well-known maker of phonographs, it is said that the profits from such inquiries pays the entire export expense. His advertising, accordingly, is aimed at the ultimate purchaser, though orders received must be supplied through some dealer—whom it is often no easy task to find in the early years of foreign selling.

It is a truism that the advertising message must be clear and understandable. This is no trick of the trade. It is obvious common-sense. Yet an Ohio patent medicine concern advertised in a Spanish newspaper a cut of its package, showing the label in English, with no message in the language of the newspaper's readers except the phrase, "Use it all the year!" It is safe to say that not one reader in a hundred could guess from the advertisement the nature of the product or its use.

*Use the  
Reader's Language*

In advertising to dealers it is always best to make a definite offer. This is a good rule whether the offer be a single product or an assortment. If it is not clearly against sound selling policy, name prices, specify weights and terms, and make it easy for the man at the other end to order without preliminary correspondence. One manufacturer of toilet preparations, who found his conventionalized advertising unprofitable, was able to make up



for its losses by shifting to the display of special assortments ranging from \$25 to \$500.

Foreign advertising mediums exist in great variety. The advertiser must use the same brand of common-sense in selecting export mediums that he uses in choosing among the hundreds of publications in the home field. It may be a shock to some to learn that there are alleged Peruvian and Egyptian periodicals which have their home in Chicago and a circulation that includes only their advertisers.

*Beware of  
Fake Mediums*

One Louisiana firm with an advertisable product which never uses space in domestic mediums paid \$1,000 for mention in an "illustrated lecture." Later it developed that the lecture route included cities a thousand miles from any sane itinerary, and the "mention" was utterly worthless.

The president of a large shoe concern entered the offices of an export organization recently, and inquired: "Do you know of the Blank International Advertising and Distributing Company?" He was told that they were out-and-out fakers—even fugitives from justice. "Then, it's my money they're 'fugiting' on," he answered. "They painted such a beautiful picture that I could actually see monkeys coming down cocoanut trees to buy 'Armor plate' shoes."

Some exporters have developed mediums of their own for direct advertising. After nearly a decade of proved value in the domestic field, the "house organ" has found its way into the export sales campaign. There are perhaps a score of American exporters now using this medium of direct advertising.

*House Organs in  
Foreign Selling*

A difference should be drawn between real house magazines and the supplementary bulletins which are merely additions to previously issued catalogs. The real export house organ should recognize that the foreign dealer is directly interested in the organization as a whole rather than in any one particular product. He is eager for news of the house. The house magazine should cater to this already developed and decidedly personal interest. It should promptly and fully describe new lines as those are added to the house's products, exploiting the selling arguments in their favor—both from the standpoint of dealer and of consumer. But it should never tie itself down to this narrow policy of propaganda. New selling methods, designs for window displays, marketing plans which have proved successful in other cities—including foreign cities as well as those of the United States—reports of the selling campaigns in various countries, news of the home office and factory—all of

these furnish topics for the live house organ circulating among the export trade.

The mediums for export advertising are varied. They are as many as the mediums in domestic advertising. The methods used are equally as diverse. Selling goods through export advertising is both an art and a science. It calls for common-sense and requires more than the mere purchase of white space. If the end is to be profits, brains must be mixed with money in the advertising venture. But even in the present stage of undeveloped American exporting there are several manufacturers who have records of 40 years of advertising in foreign markets. Ask them if advertising pays.

No matter how complete the verbal description, or how many colors may be used to illustrate an article, these fade before the actual—

*Sample—the  
Concrete Fact*

the product or its miniature. The sample is tangible. It is of three dimensions and demonstrates itself.

It is an actual specimen; it is the proof of the seller's honesty of statement; it is a concrete reason for purchase. Wherever a house can use samples, either full-sized or of fractional dimensions, these should form a very important part of any sales campaign.

It must be remembered that while a sample is a salesman in itself, the salesman is silent,

and that to use its powers to the greatest possible extent its virtues must be pointed out by the spoken, the printed or the written word. The sample and the other selling forces supplement each other. Take such products as perfumes and food products. The most that the salesman, the advertisement or the letter can do is to create overwhelming desire for them. Where the question of taste enters this task is tremendous without the full proof which is possible only by sample.

The sample is not exclusively a consumer weapon, nor is it exclusively a dealer weapon. It can, of course, be used to convince the consumer of the advantages of the product and may also convince the dealer as a *consumer*. But its real function is to prove to the dealer the certainty of profit which the goods will bring on resale.

A forceful example of the value of samples is shown by an incident the writer met with nearly 15 years ago. The buyer for an English shoe factory sent a request for samples and quotations on a certain part of a shoe machine.

*The Value of a  
Side-by-Side Test*

The writer, knowing the make of the machine used, readily recognized the sample sent as having been made by a competing German house, and from his cabinet of competitors' samples picked out the one with which he was



forced to compete. In competition with this German part was submitted a product decidedly superior, both in wearing qualities and in character of work accomplished.

Some weeks later an order for several gross of the part was received, which was not at all surprising. In ordering, the English firm stated that they were able to determine only slight advantages for the sample submitted over the part previously supplied from Germany, but they had been able to see some points of worth, due to the letter which accompanied the sample, which were sufficient to justify them in changing the source of supply.

In the course of the prompt investigation which followed, it appeared that, through the shipper's oversight, an exact duplicate of the German part had been sent (taken from the competitors' samples previously mentioned). Doubtless the only reason why the English manufacturer was willing to pay a higher price for identically the same article was the confidence shown by the manufacturer in his willingness to accept the verdict of a side-by-side test.

When the question of convenience in use is an important one, no volume of description can compete with the sample, which offers the argument of demonstration. The best of salesmen, with articles of this nature can scheme



out ways and means to place the sample in the dealer's hands, figuring rightly on the very human trait of curiosity. It is doubly important, when the sales effort is deprived of the salesman's services, that the sample be present to speak for itself.

It can be laid down as a safe rule, if a product possesses any quality which a sample will demonstrate, and if the cost of placing the sample in the hands of the distributing trade and the ultimate user is not prohibitive, that this method of selling should be employed.

## VII

### Correspondence in Export Trade

**L**ETTERS win or lose business. This has become an accepted principle in domestic merchandising. It is even more conspicuously true in export trade, where the house, except for advertising, is known to its customers only through the representation of its salesman and its letters. Of the two, the letters are by far the more frequent visitors and are subjected to the closer and more intimate scrutiny. A hundred little faults are possible in correspondence, any one or two of which might kill a prospective exporter's chances forever with his customer.

Errors or other faults in printed matter are forgiven. But offenses in a letter are emphasized over and over again—by the intimacy of the communication, by the fact that it is a personal message from one business man to another, by the very personal character of the failing.

Regardless of who signs the letter—whether it be traffic manager, foreign finance manager, factory superintendent, export manager or some other representative—each piece of correspondence going out under the firm's letter-

head should carry with it the spirit of the house. The customer must get the impression that every one connected with the establishment is interested in him and desirous of his patronage. It is bad correspondence policy if he receives in one mail a letter from the sales manager so intimate that it is almost personal in tone, and in the next a cold curt communication from the traffic manager.

Successful sales-letters depend on correct diagnosis. The ginger talk which spurs on the Indianapolis agent may be a boomerang if used on the agent in Valparaiso.

Before he dictates his letter, the foreign sales correspondent should

*Diagnose before  
You Dictate*

carefully consider every bit of available information regarding the firm to which he is writing and the market and other conditions affecting it.

There are certain characteristics that must go into the making of all successful letters. Courtesy is one of these. Appreciation of the customer's points of view is another. Accuracy, thoroughness and directness are also essentials.

We Americans have a reputation as writers of short, crisp letters. It is not altogether a helpful reputation in our foreign trade undertakings. Courtesy is as old as the ages. It is still a ruling factor in business relations in

many foreign lands. If we are ambitious for overseas trade, should we not be willing to adopt overseas standards, especially when it involves the development of a quality so universally admired and so inexpensive as courtesy?

*Courtesy the  
Prime Essential*

Your Spanish-speaking customer signs himself: *Ever your sure, safe and obedient friend*. Have you ever gone half way to meet his standard of the courtesy that should obtain between gentlemen? Isn't it worth while to experiment with courtesy? Give it a trial. See what courtesy will do.

In your mental attitude lies the success or failure of your correspondence. If you are sincerely desirous of export sales, honestly intend to give value for value, and have a healthy respect for those good merchandisers across the seas whose patronage you seek, put this spirit into your letters.

Courtesy requires that the letter express a proper appreciation of the customer's patronage, that unpleasant topics be avoided, that a sympathetic and understanding personality be manifest in every sentence and word of the communication and that the closing be courteous and considerate, not abrupt and hurried.

A frequent cause of export failure through the mail route is the unwillingness or inability of the exporter to put himself in the cus-

tomers' place, and view things as the customer would view them. This is closely akin to courtesy, of course. No letter can be truly courteous that ignores the reader's point of view. It bumbles the entire sales situation, offends the buyer on little points of taste or circumstance, ignores possible limitations, and is a general confession of ignorance and carelessness.

*Put Yourself in the  
Customer's Place*

Consider the sales-letter addressed to a prominent Calcutta merchant, which began: "Bill Jones of Kalamazoo made \$1,800 in one month with our patent back-actioned potato peeler. Can't you do as well as Bill?" Reverse the situation, Mr. Manufacturer in St. Louis, and imagine yourself receiving from Calcutta some such letter as this: "Kawa Dhurur of Thalra Patan made Rs. 3600 in one purulia. Can't you sell as many laces as Kawa?" It should be apparent from this example that unless the testimonial can be made to have a direct appeal to the individual reader it is useless except for joke-making purposes.

A certain letter which went out from a Michigan manufacturer to every general merchant

*A Letter That Was  
a Boomerang*

in New Zealand a few months after the outbreak of the European war, made the manufacturer's name anathema to every loyal Brit-



isher who read it. A single sentence did it: "We're always alert, always ready, and now that you cannot secure your . . . from Europe, we're offering you a better line at regular prices."

This letter failed absolutely to consider the point of view of the British subjects in that market. In it they saw the American manufacturer in the attitude of trying to capitalize a world-wide calamity. It implied to them that we in America thought Germany had such control of the seas that England had ceased to export. In a sentence, it made us appear a nation of ambulance-chasers eager for the patronage of a victim and so ignorant and callous that we could see no offense in chipper solicitation of those smitten by war.

Worst of all, the offense was unintentional. The manufacturer was actually maintaining his old prices despite greatly increased costs, and was granting extensions of drafts—not from necessity, but with a cordial sympathy which made him willing to forego deserved profits to promote the financial stability of war-torn trade. Yet the letter inspired editorials in several Australian newspapers and magazines, and played its part in stimulating the strong anti-American feeling which existed in Australia at the beginning of 1915.

Proper respect for the customer's point of view will demand discrimination in the choice of words, a practise which will include unobtrusive use of idioms, figures of speech, peculiarities of spelling, and other distinctive characteristics peculiar to his class, country or section. Such careful usage in letter-writing appeals to the reader's pride and taste, it reveals at once that this is an *individual* letter, written especially to him and solely for his perusal. It reveals also carefulness and precision, and is of the very essence of true courtesy.

*Putting Individual  
Appeal into a  
Letter*

One example is worth a bale of assertions and arguments. From the files of an export wizard on lower Broadway, New York, I have picked this gem. Of the Melbourne firm he knew only its age, financial responsibility, and the fact that it sold jewelry.

24th January, 1915.

Messrs. Hilliard Bros. & Co., Ltd.,  
716 Collins Street,  
Melbourne, Vic.

Dear Sirs:—

I would appreciate the favour of your examination of the samples of Meteor locket, which are going on, duty paid, by this post.

If you will shew these to some of your customers who enjoy good craftsmanship, I would be doubly grateful for their comments.

It has not been my good fortune to visit Melbourne since 1908, and in my five trips I never

chanced to represent any jewelry lines. This I certainly regret now, for with your many years of experience in Melbourne in the jewelry line, a personal acquaintance would make me feel that I was not imposing on your good nature in my queries.

It would naturally be a pleasure to me to find that the lockets will appeal to you as something worth selling, and the attached sheet will give prices, terms and all shipping details, arranged to shew you the per cent. laid down on several other lines as well.

Are you by any chance allied with Messrs. Hilliard & Sons, Ltd., of Glasgow? If so, possibly advantageous shipping arrangements could be made through my Glasgow connections.

Yours faithfully,

JAMES M. JONES.

Copied.

Ten points of distinction characterize this letter and helped instil the subconscious feeling in Messrs. Hilliard & Co., Ltd., that they

*Ten Distinguishing  
"Trifles"*

could depend on James M. Jones: (1) 24th January, 1915; (2) Messrs. (too often omitted); (3) favour; (4) by this post; (5) shew; (6) shew the per cent. laid down; (7) Glasgow (not Glasgow, Scotland); (8) Yours faithfully; (9) Copied; and (10) the follow copy which went to Messrs. Hilliard & Co., Ltd., on the next boat.

It would be mere snobbery to use any of these points of distinction conspicuously. The important fact here is that they were used

without ostentation and that they were substituted for words which by their awkwardness to the foreign reader would distract his attention from the straight consecutive reading of the message.

Later a copy of that letter was read by a Tasmanian. His comment was, "You know, I call *that* chap businesslike." In other words, "a regular fellow."

Another letter by the same writer will show how the same article may be differently presented to another type of buyer. A friend handed him a letter from an importer in Bahia whose letter-head showed that the lines handled were French perfume, English teas, Spanish raisins, Italian olive oil and German dolls. The wizard wrote:

*Altering the  
Sales Appeal*

Your letter-head is a challenge to me. Ever since our common friend, Mr. R. E. Parker, of Parker & Sons, told me that if I had the right line and found you a selling connection I could depend on a steady market through your critical customers, I have been selecting and reselecting from the forty-odd lines I control, seeking the one with *the* appeal.

It's a real challenge, for you are handling the cream of the world's best lines. Your buying shows your familiarity with the leaders of every country.

In sending you the samples of Meteor lockets, I am trying to match my twenty years' search for a line of solid gold jewelry which would admit no equal. Like you, I have trodden the paths

that pass the most famous jewelry houses in London, Paris, Buenos, New York—wherever the height of the art would be on display. Then I have traced the best back to the factories, talked with the presidents and engravers; weighed, compared and rejected. That is why I am selecting Meteor lockets to send you. By them you can weigh me, for they are my judgment. If your decision is against them, I have no other line to offer until I meet you in person and learn your secrets of selection.

I'm asking Mr. Parker to write you a letter of introduction for me and asking a few firms in Rio Bahia to tell you whether or not they have found my lines and service profitable.

That brings up one further topic—prices. They are, as you will recognize, the right prices for the line. If my judgment is wrong on this, no argument would stand against your experience.

Just a little favor which will be appreciated. Do you chance to know whether the olive oils of P. Clerci et Cie. are exclusively handled in this country? While the name is a familiar one with me I cannot remember their city, and so enclose a stamped envelope with the extra reis to cover any circular of theirs you may be able to spare me.

With the compliments of the season, I am,

Yours very truly,

There's diagnosis and intelligent action based upon it. Some of the details which the foreign reader is quick to notice appear pica-yune and ridiculous in print.

I remember overhearing a Liverpool importer criticize a Lynn manufacturer in these words: "Those Yankees are in so much of a hurry their goods can't always be just right. Why, they always blot the signature to typed



letters." I have never blotted the signature of a foreign sales-letter since, even though it has involved changing from a stub to the finest of pen points.

A wise man has said that there are two absolutely free things in this world—advice and blotters. The wise exporter asks for the first and gives the second. By asking advice from his foreign customer the exporter pays a courteous compliment to that copartner in the foreign field, places himself in a better position to learn the foreigner's viewpoint, and certainly he does not lessen his own chance of picking up constructive suggestions.

*"Asking Advice"  
a Business Asset*

You like the man who asks for your opinion and treats it with consideration. So does Enrique Gonzales, May Ching and Abdul Murajee. So does mankind everywhere. It is fundamental in dealing with any English colonial merchant that he will forgive any offense before he will forgive a presumption on the part of the exporter that he must be taught how to sell goods. It is the unpardonable sin. Even sales methods and introductory plans which you know are valuable must be offered to such a merchant merely as suggestions, as features which have worked well elsewhere and on which you desire his opinion and advice as to their suitability for his

market. The wise exporter must know how to give advice gracefully as well as how to take advice.

Above all, the letter from an exporter to his overseas customer must be accurate, it must be thorough, and it must be direct.

*Accuracy,*  
*Thoroughness,*  
*Directness*

Accuracy is not a peculiar requirement of export trade correspondence. We need it in all correspondence, in business communications of every kind. "Accuracy, Terse-ness, Accuracy" was a motto of one of our leading American newspaper editors. The beginning and the end of efficient writing, in his opinion, was accuracy.

Accuracy and thoroughness mean correctness in addressing the letter; they mean completeness in the body of the letter; they mean care in subscribing the signature so that it will be legible and clean-cut. They mean attending to all of the little details, specifying mail time, rereading the letter to guard against any possible errors in statement or in typing, and making sure that full postage is prepaid.

It is also a requirement of accuracy and thoroughness that the careful letter-writer does not take too much for granted. An Australian customer once sent me a letter from a Chicago house of world-wide reputation. His comment was a fair one when he

wrote, "I consider such a letter unbusiness-like."

On its face the communication was a sales weapon. It was strong and forceful in its argument. It seemed to give the right information as to prices, discounts and terms. But really it was a failure. When the prospective customer, having become interested by the force of the appeal, began to plan his order and inquire into the necessary details, he found himself blocked. The letter said "60-days"; the customer was unable to know whether that meant "60-days' open account" or "60-days' sight draft." Neither could the reader tell from the quotation "F.O.B." whether the writer was quoting F.O.B. Chicago or F.O.B. New York. The writer assumed that the policy of his house was well known, that these terms would mean something as definite to the foreign reader as they did to him. But they did not, and his sales appeal was a failure as a result.

*Specify, Do  
Not Assume*

Thoroughness includes taking every precaution to insure the safe delivery of the business communication. Yet not one American exporter in ten uses "follow copies," though they are in very general use among foreign merchants. The follow copy is simply a carbon which is mailed a certain number of

*"Follow Copies" an  
Insurance Measure*

days after the dispatch of the original letter. Thus, if the original is lost the follow copy will certainly arrive on the next steamer. Not only does this policy pay for itself in its insurance against delays and misunderstandings, but it raises an exporter's reputation for efficiency in the estimation of his overseas customers.

When the *Titanic* went down the loss due to interrupted business was small compared with what would have ensued had she been sailing eastward. As it was, later steamers brought follow copies duplicating approximately all of the important mail lost on the foundered ship.

An export sales-letter should be careful in its selection of material. It is a common trait on the part of our foreign correspondents to

*Eliminating* select the sales arguments  
*Distracting Material* which have been successful in domestic selling. Sometimes

the selling points used at home are the best selling points for all markets. But frequently this is not the case. Frequently an entirely new statement of appeal must be formulated.

For example, a friend in Rangoon wrote me for information as to a certain fastening device. And well he might write, for the letter sent out by the maker was bewildering and confusing to any reader unacquainted



with the device. Instead of describing the appliance and its hundred and one good points, the letter laid emphasis on a very minor point of advantage over a rival appliance. Not only did it fail to create more than mild curiosity, but it admitted the existence of a competitor. In domestic markets that letter would probably be effective. In the foreign market it lost a \$1,000 order.

It is a safe policy to forget your competitor when you make a foreign sales argument. The moment you undertake to portray other than inherent advantages of the product you divide the customer's interest and compel him to choose. This is poor psychology and poor business.

Put yourself in your buyer's place. Think what would interest you as a foreign buyer. Eliminate the trivial and the extraneous, and tell your sales story so that it cannot be misunderstood.

In the export trade there are two schools of opinion in series letter-writing. One maintains that the first letter should tell the whole story and make possible an order by return mail; subsequent letters should be reiterations of the strongest selling arguments. The object here is quick action in immediate sales. The other school makes no such generalization of

*Series Letters in  
Export Business*



methods, but divides exportable products into two classes and proposes a different correspondence method for each.

According to this, exportable products are: (1) articles with a novelty appeal or some easily demonstrable feature, and (2) articles which require salesmanship of a more persistent character. For the first group, it is argued that a letter of presentation and one reminder are sufficient; whereas the second group requires a series of letters planned for cumulative effect, each letter approaching the prospect from a new angle and concluding with a punch carrying the weight of all that has gone before plus some compelling argument for making a purchase immediately.

*A Comprehensive Letter Series* I approve the plan of "rush the novelties—hold back on the staples." But there can be no valid objection to making the plan more inclusive—shaping the appeal so that the prospect may be influenced to buy at any stage. Such a result can be obtained and without anticlimax, by this sort of arrangement of the letter series:

- Letter 1. Introduction of maker and product, description of prices, terms, and (if easy to state) approximate delivery cost:
- Letter 2. Service or sales cooperation offered.
- Letter 3. Exclusive advantages in the product,

care exercised in its manufacture, its attractiveness to the consumer.

Letter 4. Summary with special offer.

Each of these letters can be made excellent waste-basket material by failure to differentiate form from substance.

It is obvious that a letter must be in the language of the person to whom it is addressed. With our trade rapidly growing in Latin-America and other regions in which English is not the prevailing language, trans-

*Translations Should Be Clear and Idiomatic*

lation service is becoming more and more a fundamental factor in export correspondence. The translation problem is a real one because it involves not only the mechanics of rendering the words into the foreign language but also the art of making these words and phrases convey the exact shade of meaning intended. That is, there must be sympathetic interpretation.

This involves on the part of the translator a thorough knowledge of the languages involved and a thorough knowledge of the subject about which he is to write. Unless the translator is conversant with the products and the technical terms of export business, manifestly he can not convey a clear selling message to the prospective buyer.

Idiomatic translations are the only right

translations. The translator must make his version read with all the smoothness of the original writing, else it is a commercial failure. If the original letter has the spontaneous touch of a writer able to create interesting word-pictures, then the translation, to be effective, must rise to these heights.

It is a good plan to place in the hands of a native of each of the large non-English-speaking countries the translation of letters

*Have a Native Do  
the Translating*

destined to and received from that country. Big exporters who have an enormous amount of translation find it necessary to employ expert translators to serve them exclusively. For others whose requirements are not so large, there are many professional translators and bureaus that make a specialty of furnishing this service. It is a simple matter to test the worthiness of a translation service by submitting occasional copies of the translations to other linguistic authorities.

The foreign languages which an exporter must take into account are Spanish, French, German, Portuguese and Russian. A Spanish equipment will take care of the important countries of South America, excepting Brazil. Portuguese is the language of Brazil, and beginners should guard against committing the unpardonable offense of sending letters

and catalogs in Spanish to Brazil. For a concern going into the Russian market on a comprehensive scale the Russian language is indispensable.

Obviously, a proper use of the language of the person to whom the letter is addressed is but another element of the fundamental principles previously outlined. It is included in that requirement of accuracy and thoroughness which is a first principle of good export correspondence. If you have a proper respect for the point of view of the prospective purchaser, you must phrase the letter clearly and idiomatically in his language. Most of all, courtesy cannot make its impress if the letter is a crude, slipshod translation, betraying to the keen eye of the native the ignorance and incompetence of the writer. Good translation service is absolutely essential. It can be had. Insist that you get it.

## VIII

### The Use of the Cable

**A**S the exporter's business expands he will find himself relying more and more on the cable, especially if he decides upon the employment of salesmen or foreign agencies. He has at hand various published codes, such as the Western Union Cable Code, Lieber's Standard Code, or the A B C 5th Edition Code employed by many European companies. Frequently, however, he will find need for his own private code. Although a cable code, designed to meet all possible cable needs, is a work of exceeding complexity and beyond the ambitions of the beginner in export trade, it is not a difficult task to devise a good home-made code for an exporter whose requirements are fairly simple.

Such codes are generally built on purely arbitrary base units, using four-letter combinations to represent each item of stock. Opposite each item in the catalog is written its four-letter base, or core. As the cable companies allow ten letters to each word, it is possible by means of three-letter prefixes and suffixes to specify the quantity of the order and thus get the entire message regarding any particular item within the space of one word.



For example, assume that the first item in our catalog is IXL floor varnish in one-gallon tins. We could assign to it the core "ABAB," or any other easily pronounceable combination of four letters. Another combination of four letters would be assigned to the next item, a different one to the next, and so on through the entire list of merchandise we are offering for export.

*Building Up a  
Four-Letter Code*

The next step would be to work up a series of prefixes and suffixes specifying quantity. We might define the prefix "ABA" as "one dozen," "ABE" as "two dozen" and so on through various specifications of quantity. The same combinations as suffixes would mean something different. For example, the "ABA" at the close of a word would mean "double the quantity called for by the prefix"; the "ABE" as a suffix would mean "multiply by seven the quantity called for by the prefix." In this way a complete order code, covering everything listed in our catalog, could easily be constructed. We would have to use some ingenuity in selecting the combinations, so as to make sure that every possible combination would be possible of pronunciation. That is a requirement of the cable companies.

There are several objections to such a code, however. The system obviously will not apply to all lines—particularly those not sub-

ject to permanent cataloging. As a new line is added it must be given a four-letter base and *each and every code-holder notified.* This

*Four-Letter Code  
Lacks Elasticity*

lack of elasticity is a serious fault if the business is a growing one, frequently expanding into new lines. Moreover, this type of code does not work out well in those lines in which the product is subject to frequent modifications—as for example, in brand, color, size or material, or by combination with other items.

The elaborate codes in use by the big exporters, with whom cable messages are a matter of a hundred or more a day, accomplish marvelous results in condensation and are themselves marvels of intricacy and complication. To these exporters they save thousands of dollars weekly in cable tolls. Such codes are made to condense into one word two or more items together with much modifying information. The very cable address itself is utilized by at least one firm to indicate the key number of the message or the code volume and page of its first word. Such codes as these cannot be constructed offhand, in a month or a series of months. They represent the accumulated experience of a lifetime of international trading.

The export house which can use a four-letter base order code to advantage seldom

requires an individual cable message code. By utilizing the existing codes and filling in with individual words the blanks left opposite many code words (for this very purpose), every reasonable requirement will be met.

*Standard Codes  
Used to Supplement*

It is just as much waste to spend time and money on premature efforts at cable code building as it is to spend these on premature development work abroad. This criticism applies especially to amateur efforts at message codes.

There are, however, certain home-made message codes, amazingly simple in construction and of practical service. Such codes are not only valuable for their economy, but also for the close touch between the home office and the representative in the field which they make possible. Moreover, they are so framed as to supply a medium for communicating information of value to the credit, traffic, advertising and auxiliary departments as well as to the sales department.

The outline of such a code, which has thoroughly demonstrated its working efficiency, is sketched in the following paragraphs. Like the other codes indicated in this chapter, it is based on a purely arbitrary set of codes, each "interior code" being built on purely arbitrary items

*Model for a  
Salesman's Code*

and each whole code depending on sequence or position of letters.

PRIVATE CODE

for use by

John Jones, Export Salesman

for

Henry Smith & Co., New York City

*Instructions to Salesmen*

1. The code address of Henry Smith & Co. is:

HENSMICO NEWYORK

2. On arrival at each city you are to send one word to the above address.
3. Your key letters are JA.
4. You must begin each of the one-word messages with JA and from each succeeding page use *the one letter* which best conveys that particular part of the message. *You must not skip a single page.*
5. Each complete word consists of *ten letters*.
6. Check by decoding every message before sending.
7. If this code does not meet your requirements, do not attempt to use it, but use Western Union or plain English.

The *first two letters* of every message are to be JA.

The *third letter* represents the condition of your funds and samples.

Use only one of the letters below:

A—Funds and samples O. K.

B—Funds O. K. Samples lost.

C—Funds O. K. Samples lost. Send new ones to first possible city.

D—Letter of credit lost. Cable \$500 to city from which this is sent.

(Etc. . . .)

The *fourth letter* represents the amount of time you plan to spend in the city from which you send cable.

- A—One week.
- E—Two weeks.
- I—Three weeks.
- O—One month.
- U—Six weeks.
- Y—More than six weeks.

The *fifth letter* represents the amount of time you are ahead or behind schedule.

- A—On time.
- B—From 2 days to 1 week ahead of schedule.
- C—From 1 week to 10 days ahead of schedule.
- D—From 10 days to 2 weeks ahead of schedule.
- E—From 2 weeks to 3 weeks ahead of schedule.
- F—From 3 weeks to 1 month ahead of schedule.
- G—From 1 month to 5 weeks ahead of schedule.
- H—From 5 weeks to 7 weeks ahead of schedule.
- I—From 7 weeks to 10 weeks ahead of schedule.
- J—From 2 days to 1 week behind schedule.
- K—From 1 week to 10 days behind schedule.
- (Etc. . . .)

The *sixth letter* represents the attitude of trade or agent.

- A—Agent friendly.
- B—Agent enthusiastic.
- C—Agent dead.
- D—Agent dissatisfied and will drop line.
- E—Agent dissatisfied but will continue—has written.
- F—Agent dissatisfied but will continue—has not written.
- G—Trade hostile—prices.
- H—Trade hostile—service.
- I—Trade hostile—terms.
- J—Secured new agent for "A" line.
- K—Secured new agent for "B" line.
- L—Secured new agent for "C" line.
- M—Secured new agent for "A" and "B" lines.
- N—Secured new agents for "A" and "B" lines.
- O—Renewed contract with agent as arranged.



- P—Agent insists on local advertising.
- Q—Agent insists on local sampling.
- R—Agent insists on local “missionary work.”
- (Etc. . . .)

The *seventh letter* represents the state of your health.

- A—Same as last report.
- E—Well.
- I—Contagious disease.
- O—Non-contagious disease.
- U—Accident—serious.
- Y—Accident—minor.

The *eighth letter* represents your plans in regard to route.

- A—Route as scheduled is being carried out.
- B—Will stay here one week less than scheduled, as have accomplished everything.
- C—Will stay two weeks less—have accomplished everything.
- D—Will stay three weeks less—have accomplished everything.
- E—Will stay four weeks less—have accomplished everything.
- F—Will stay one week more to see new trade.
- G—Will stay one week more to visit nearby towns.
- H—Will stay two weeks more to visit nearby towns.
- I—Will stay three weeks more to visit nearby towns.
- J—Will stay one week more to work consumers.
- K—Will stay two weeks more to work consumers.
- L—Plans changed—see health code letter.
- M—Plans changed—see funds and samples code letter.
- N—Will skip next town and make it later.
- O—Will skip next two towns and make them later.

P—Will stay extra week—agent in bankruptcy.

Q—Will stay extra week—agent left city.

The *ninth letter* represents emergencies.

A—No emergency exists.

E—Quarantine here.

I—Earthquake, tidal wave or cyclone.

O—Arrested.

U—Riots or revolution.

Y—Railway or steamship accident.

Your *tenth letter* is the check letter.

On completing code word, number each letter of the word according to its position in the alphabet. (That is, A is 1, C is 3, G is 7, Z is 26.) Then add together these numbers. The addition will give a total of either two or three figures. Ignore all but the final digit; for example, if the number is 98, the 8 alone is to be recorded; if 123, the 3 alone is of importance for the message.

Your tenth letter of every message should represent the last or right-hand digit of the sum of the other letters, and should be checked *twice* before adding to the nine message letters.

By using such a system as this outlined, the salesman is able to condense within the short space of a ten-letter word practically all of the information that his home office would need to know regarding his condition and circumstances. Suppose, for example, the New York office of the exporting firm making use of this code received from its salesman the following message, cabled from Buenos Aires:

*Sixty-Word Message  
Condensed into One*

J A C O B D E F A G

Decoded, this message would mean:

J. A. (Identifying the salesman)—Funds are O. K. Samples lost. Send new ones to first possible city—Will be in Buenos Aires one month—Am now from two days to one week ahead of schedule—Our agent is dissatisfied and will drop the line—My health is good—I will stay one week more to see new trade—No emergency exists—Seven.

By means of the last letter, the "seven," the home office would be able to check up the message and be certain that its translation was accurate. For remember, this last letter should always correspond to the last digit of the sum of the preceding nine letters. Taking them one by one and numbering them according to their position in the alphabet, we find that the sum of the nine letters is 47. The last letter is "G," the seventh letter of the alphabet; our addition is clearly accurate and the decoding may be depended upon to be correct.

The cable code must be used with intelligence. The salesman should not rush to the cable office on arrival at a city. He should first look over the field, meet the agent, get in touch with the trade and make sure that samples are safely landed. Obviously the date of the cable message will not correspond to the date of the salesman's arrival, but by

reference to the schedule and an examination of the message the home office can determine the arrival date. For example, if the date of the cable is January 14, the date scheduled for the salesman's arrival January 8, and the cabled word shows the salesman to be three days late, it checks up that he arrived January 11 and spent three days looking over the field before cabling.

A cable code is sometimes designed to serve particularly in credit reporting or in communicating advance data on an order. Such a code is a useful time-saver at a stage of the export transaction when time is generally a vital factor. Without its help, the exporter receiving an initial order is forced to make hurried search for credit data among the files of mercantile agencies and export organizations, must spend other time looking up references, in the meanwhile missing one or more sailings. The code enables the foreign representative to supply much of this advance information in detail.

*"Advance-Data-on-Order" Code*

Such a code has as its basis the careful listing of every possible prospective customer. The list may be compiled from reports of export organizations, the Bureau of Foreign and Domestic Commerce, trade directories, agency and salesmen's reports. The names

are tabulated by cities and arranged alphabetically.

In the simple code which we are outlining here, such a list would be coded by assigning to each name and address, a three-letter base. This listing would be by some such simple layout as follows:

BOMBAY

ABA John Jones & Co., 126 Smith St.

ABB Henry Smith & Co., 128 Smith St.

The code would be built on these specifications:

1. *First three letters*—Customer's name and address.
2. *Fourth letter*—Route of shipment.

Here all probable steamship and forwarding companies which might be used for the territory are listed. In some cases this particular code-letter might require a separate layout for each city or country, but ordinarily the date-line on cable (giving city from which it was sent) would show which sheet should be consulted.

3. *Fifth letter*—Date customer desires to receive goods.

This would include code-letters for such phrases as "Soon as possible" or "No hurry," as well as definite dates like "Jan. 15th."

4. *Sixth letter*—Approximate amount of order in dollars.



Here the vowel series (A, E, I, O, U and Y) would be employed to express various amounts from "Less than \$300" to "\$10,000 and over"—using amounts dictated by the nature of the line.

5. *Seventh letter*—Salesmen's or agent's advice on credit.

This would include "References in U. S. A. attached to order," "R. G. Dun has report on file," "Local references writing you," etc.

6. *Eighth letter*—Terms and payment.

This letter shows either draft terms, such as "90 days' sight draft attached to documents" or indicates clearly any variation such as "60 days' open account," "cash accompanies order," "branch in Boston will pay on receipt of shipping documents," "letter of credit accompanies order," etc.

7. *Ninth letter*—Name of salesman or agent sending message.

8. *Tenth letter*—Check letter as explained in model of salesman's code.

In constructing this or any code, remember the fundamental requirement that the entire word *must be pronounceable*.

These two specimen codes are cited out of a score which might be made as easily. Such systems become a valuable aid in the exporting enterprise, being more directly adaptable to the individual

*Time-Saving and  
Dollar-Saving*

exporter's particular problems than any standard commercial code could possibly be. They are time-saving and dollar-saving, and are tools which no firm seriously entering the export trade can justifiably neglect.

**AUTHOR'S NOTE**—On account of the European War's interruption of commercial facilities, cable regulations are changing frequently. Before proceeding to formulate any code or establish any regulations, the exporter should determine the existing conditions and limitations. The outlines given in this chapter are from the best practise of several large exporters, and have withstood the only real test—that of experience in many markets over a long series of years. But it is suggested that before any codes are made up the approval of cable companies be secured.

## IX

### Foreign Credits and Collections

**P**ERSONAL honesty, ability and financial resources are not matters of climate or nationality. If Enrique Gonzales, of Arequipa, Peru, and Chee Sun May, of Shanghai, are accepted as good credit risks, it is not because of the color of their skins or the color of their countries on the map, but rather because they have been measured by the same standards of character, capability and capital that were applied to the John Jones Manufacturing Company, of Kansas City.

Credit is neither a favor on the part of the seller nor a right on the part of the buyer. It is not a price concession, nor is its refusal necessarily a reflection on the standing of the buyer. Credit furnishes a system whereby payment for goods is deferred in order that the buyer may realize on the resale of the goods and pay for them out of its profits.

The foundation stones of any credit structure are the "three C's"—Character, Capability and Capital. Since the extension of credit is purely personal and individual, and must be decided separately in each case, it follows that before he grants the credit privilege a seller

must assure himself on these three essentials. That is: he must be entirely satisfied as to the buyer's integrity; he must be convinced that to honesty is added business ability; and lastly, he must know that the buyer has sufficient capital or credit facilities to provide the material necessities that are essential to the conduct of business.

*The Essential  
Three C's*

There is another element which functions in the extension of credit. It is reputation, the buyer's standing among those with whom he has had dealings in the past; his reputation for prompt payment. This element is less tangible than the "three C's." It may be argued that the mere fact that a buyer has met past obligations does not guarantee his conduct in the future. But the convenient law of averages can be brought into operation here. Just as life insurance companies are conducting business along sound lines by basing their charges and estimating disbursements and profits on the average length of life as revealed in mortality tables, so the merchandiser by keeping his transactions within boundaries covered by past experiences and steering by the "average" of risk is able to extend credit facilities.

It is true that the percentage of losses on foreign sales, based on well-considered crediting, is less than on a corresponding volume of domestic business. This is easily explained. The







### A SINGER SEWING MACHINE SHOP IN SEOUL, KOREA

This American Company has built up a world-wide business through its branch offices on the instalment plan of payment without serious losses due to dishonesty of the purchasers.

foreign importer must do business on a bigger scale than his domestic counterpart in the merchandising system; he must reckon goods by the ship's ton, whereas the domestic dealer can buy by the hundred pounds; naturally his business, on the average, is of larger volume and is backed by more resources.

The ratio of honesty to dishonesty does not greatly vary from continent to continent, and from country to country. The fraudulent, whether in Indiana or India, are neither so numerous nor so clever that they offer serious menace to legitimate business conducted upon sound credit principles.

The credit manager who takes a vital interest in his work will find special opportunity in export crediting. There the human element has freer sway. He must act upon evidence rather than upon symbols. For in international trade there are no credit agency books, no tabulated ratings, no entries of AAA-1 or KA after a name to guide the credit man to a quick judgment. In export crediting he must follow the "three C's."

*Human Element  
in Export  
Crediting*

This means that the credit manager must bring into play his best judgment. He must personally investigate the export order and the man back of the order. He must depend very largely on his own initiative and ability, using

the information which the sales department has gathered in the course of its foreign selling, and coordinating with this, his own credit experience.

Cooperation, in other words, must be a real and vital factor in the relations existing between the credit department and the sales department.

*Credit and Sales  
Departments in  
Cooperation*

There are two factors affecting the crediting of orders which the sales department must regulate. They are

(1) the need for representation in any given market, and (2) the percentage of profit which a given order will furnish. Both of these are questions for the sales department to answer, and yet they are important to the credit department in determining whether a new risk is justified.

As an extreme example: Sales policy might find it justifiable to send a shipment of goods to a new customer in a new market where great trade possibilities existed, even though the risk were a poor one. Even if that sale were an utter loss, the transaction might be justified and found profitable as a comparatively inexpensive and effective method of introducing and sampling. Later sales in that market might be in such volume as to offset several times the initial loss.

Conversely, in a large city where every large

dealer was already well-supplied with the product it might be highly disadvantageous to open additional accounts. Under such circumstances unsolicited orders should be subjected to the closest scrutiny and required to meet the highest standards.

When shipments are made with sight drafts attached to documents, the credit problem is much simplified. Here the credit department may give its approval for shipment whether it knows the foreign buyer or not. The sight draft protects

*Sight Drafts  
Simplify Credits*

the payment, and guarantees that before the goods are taken the money must be forthcoming. In such shipments the sales department should be in a position to assure the credit department that in the event the goods are not accepted, they can be immediately placed with some other buyer in the same city.

The attitude of some business men toward the credit manager is one of mere tolerance. He is regarded as a necessary evil. Whenever this feeling exists it is unfortunate. A man with the ability to pass on the standing of millions of dollars' worth of business in foreign and domestic credit risks possesses a brain that ought to be capitalized by the export enterprise in every possible way. His experience and judgment will be found valuable aids in meeting many export problems. Especially in



financing shipments, the veteran credit man is often able to suggest methods when the selling department is absolutely barren of ideas.

A few months before the European War, a manufacturer's agent in Belgium placed a large order with a Philadelphia concern. The

*Financing an  
Unpromising Prospect*

order involved many thousands of dollars, and on inquiry it was found that the foreign agency was not financially strong enough to warrant granting it so large a credit. Regretfully the sales department was abandoning the idea of shipment, when the credit manager suggested that a thorough inquiry be made into the origin of the order. This was done, and it was found that the goods were destined for a thoroughly responsible Belgian house. Acting on the experience of years the credit manager declared that whenever there was a responsible person or house connected with the purchase of needed materials, it was good policy to push the sale through and find some means of financing. This advice was taken. The export manager conducted correspondence which resulted in the order going forward under an arrangement which turned over to the manufacturer's agent his commission when payment was received from the responsible third party, and the Philadelphia concern extended 90 days' credit to the buyer through



a Belgian branch of a French banking institution. At every step the American seller was fully protected in a transaction of more than ordinary magnitude.

The credit manager's judgment is sometimes the guiding factor in the selection of a foreign agent. Often an exporter will find two likely candidates for the exclusive agency in a particular city. A choice must be made between the two, and it may mean a momentous choice. The wrong selection here has often shipwrecked an exporter's future in that market. And yet, in many cases, the fault is some seemingly unimportant trait or principle which the export manager or sales executive would overlook entirely. The credit man is of service in the selection of an agent, not so much because he is a better judge of human nature, but because of his ability to translate the bank or agency statement into terms which are self-evident and transparent.

To the average export manager statements of percentage of liabilities and of assets, the proportion of stock on hand to the total assets, the relation of annual sales to outstanding liabilities, mean little or nothing. To the credit manager they are a clear and definite statement of the ability of the merchant to handle his business profitably and progressively. A comparison of statements tells him that one mer-

chant, while financially sound, is slow to realize on assets, and would probably be unsatisfactory where active work in introducing a new product was involved; while the other merchant, with much smaller capital on the surface, is really as strong financially and far more capable of handling the business. Comparing other statements, he might find in a third candidate the final choice for the exclusive agency. The deciding factor might be this candidate's bank statement, through which the credit manager finds this agent an aggressive business man who is nevertheless careful of his resources and one to be depended on in any emergency.

Closely connected with the policy of determining and granting credit should be the follow-up policy. That able manager of export

*Collections a  
Vital Factor  
in Credit Policy*

finance, O. T. Erickson, has said, "Collections are often the most important part of credit." Unless the collections policy is efficient and businesslike, much of the careful preliminary work of the credit man is rendered useless. The collection policy should be one aiming to convince the buyer of the advantage of prompt payment at the end of the credit term.

The buyer should have no excuse for ignorance of terms of sale. These should be em-

bodied in quotations just as definitely as the discounts and F.O.B. point, and should be repeated just as frequently. Two-thirds of the delayed payments on open account are the result of a failure to observe this cardinal rule.

*Be Specific with  
Open Accounts*

Wherever sales are made on open account it is highly advisable to arrange for the domestic form of sight draft at maturity. When this is inadvisable, collection efforts should begin immediately on failure to receive remittance.

It is an excellent and growing method, in the case of non-payment on open account shipments at maturity, for the foreign sales department to accompany the monthly statement of account with a letter which primarily asks for further orders, and yet which makes clear that an item or items are overdue, and that remittance is expected.

This should be followed with letters bearing more on the overdue indebtedness and less on the sales features—each letter being so timed as to allow the foreign buyer opportunity to receive and answer the previous communication. If drafts have been included as part of the open-account arrangement, the first letter should advise of the immediate sending of such a draft, and later letters be based on the acceptance or refusal of such drafts.

In cases in which a merchant fails at maturity to meet an accepted draft—that is one on which he has already acknowledged in writing his responsibility to pay—entirely different tactics are advisable. The first letter should request the reason for non-payment, explaining that this is necessary to a full comprehension of the unusual incident. Failure to receive a reply should result in a further communication expressing surprise that the buyer should ignore such a vital point of interest to him. This letter should point out to the buyer that his neglect places the seller in the unfortunate position of being unable to reply satisfactorily to requests for credit information from other manufacturers and export institutions.

*When the Draft  
Is Ignored*

Assume that no reply is received to this letter. The third should advise that as a matter of common interest the overdue indebtedness has been brought to the knowledge of a lawyer (or other representative) in the buyer's city, that this representative (naming him) will call in person, and that to him the seller confidently expects a full and prompt report will be made in the form either of settlement or adequate explanation. While the letter itself should be entirely free from resentment, its tone should be firm.

Of course the lawyer or other third party,



when advised of the situation, should be empowered to make such collection efforts, legal and otherwise, as circumstances require.

This does not mean that a series of form letters is to be drawn and dispatched to all delinquents according to a fixed order. The procedure as outlined should be varied to meet each individual case. Personality should play a

*Avoid the Use of  
Form Letters*

leading part here as in other correspondence. Each delinquent account represents a different problem. Usually a careful reading of the credit reports on which the original shipment was released will indicate not only the probable reason for the refusal, but also methods of approach.

For example, in the case of a firm of large financial resources with a reputation for prompt settlement in the past, its failure to pay in a given instance might be assumed to have some valid reason. Even in the extreme provocation of unanswered letters, the credit manager would be justified in feeling secure here. The same delinquency on the part of a credit risk based on character and capability but lacking in large capital, or on the part of one whose business morality is not of the highest repute, might be due to entirely different reasons. The particular circumstances must be taken into account in every individual case.



"The secret of success in foreign collections," said the collection manager of a firm whose lines have long been established in all prominent world-markets, "is invariably to assume that the other man has a good reason for delaying payment, and assume at the same time, and in a manner to which he can take no exception, that you have a better reason for expecting his remittance."

## X

### Keeping the Export Records

**S**YSTEM is as important a factor in export as it is in domestic trade. The proper planning and execution of a foreign campaign require more than outlining the world's markets, estimating probable sales and connecting with a good foreign agency. There must be systematic gathering and classification of export records. All the facts that affect the growth or character of the business must be assembled, tabulated, filed and made available for use.

From the ponderous records of exporting history, statistical reports, correspondence and other sources must be picked the data affecting trade—the statistics of populations, of ports and the territories these serve, of the volume and character of imports, of customs duties, of steamship facilities, of transportation rates, of prospective buyers. This knowledge must be thoroughly sifted, and that which is useful distinguished from that which is merely interesting. Then it must be efficiently classified.

A series of card catalogs should be developed, and on these cards the export information entered. A well-organized series

would include five separate sets of cards, as follows:

1. Country guide cards.
2. City guide cards.
3. Customer cards.
4. Prospective customer cards.
5. Cards on indirect sales.

In the catalog of country guide cards, one card would be set apart for each country. On each of these cards should be spaces for entering records on the following points: agency relations, customs duties, classifications for invoicing, salesmen's visits, mail campaigns, competition, government requirements. The general rule governing entries here should be: Record everything (not a matter of regularly published information) which applies to the *whole* country.

*Cataloging  
Export Knowledge*

Too often country guide cards are either blank or else overflow with facts of common or changing record elsewhere. It is hardly necessary, for example, to enter here steamship routes or details of invoicing; such matters are always at hand in an atlas or in the "Exporter's Encyclopedia" or some other reference work. This card should tell the story of the country's requirements in terms of the product made, the competition to be encoun-

*Don't Overload the  
"Country Card"*

tered, the sum of the firm's own sales efforts, and the sales totals.

It is a common and excellent practise to record the total annual sales for each country, city and customer on their respective cards, using the reverse side for the other items suggested in this chapter.

The city card should record all information relating to market conditions and the selling campaign in its particular city. Such information should include these subjects: competition, traveler's license fees, salesmen's visits, agency relations, other local campaigns. Traveler's license fees are generally a matter of record elsewhere. They are included as an entry here because the practise of cities is not uniform, some enforcing the collection of license fees, others having different arrangements which virtually eliminate the fee.

*What the City  
Card Records*

On the customer card should be entered whatever information the exporter has gathered as to a customer's character and practise. This should include data as to the relative importance of the firm, its line of business, the terms of sale, discounts and special prices, the leading competitive brand carried and a word picture of the firm as gained from the salesman's reports. Any special requirements in packing, invoic-

*The Customer  
Card*

ing or handling of drafts should be entered here. If any negative characteristics are noticed, such as frequent claims for unprovable small shortages and damages, the customer's record card should show this.

The prospective customer's card should be a compendium of information much more elaborate than any similar domestic record.

*Recording the  
Prospect*

The inquiry of the Union Drug Company of Cape Town for "catalog and discount sheet" is worthy of record not alone for its present promise, but because later on, when we are ready to appoint an agent or send a salesman, it may be the lead to a customer. The experience of scores of manufacturers shows that the export inquiry of today may be the first entry on a customer's record ten years later.

On the prospective customer's card should be recorded: his line of business, the occasion for the entry, efforts already made to sell to him, with dates, and all general data which would be recorded of any actual customer.

As a rule, it is not economy to record on prospective customer cards lists of names secured from institutions. The prospects worth recording are those whose inquiries come direct, whose names are sent in by your salesmen or friends, or who make known their wants through the consular service or the ex-



port organizations. A safe rule to follow is: Record only the names of firms which have shown interest in your particular lines.

Indirect sales records are frequently missing from the files of the very firms that could use them to greater advantage. Safeguard against this neglect by keeping a definite entry of all indirect export sales. *Indirect Sales Records*

Indirect export sales fall into three general classes: (1) sales through export commission houses, (2) sales through domestic wholesalers, (3) sales to non-competing manufacturers to be passed on to their customers.

In the early years of direct exporting it will prove well worth while to keep an "order register," on which foreign orders are entered chronologically as received. These should show in briefest form the customer's name, city, correspondence file number, dates of receipt and shipment of order, the shipping marks and any special instructions regarding routing or packing. This order register enables any one at any time during the year to obtain a comprehensive idea of the firm's activities without expensive analysis. While no totals in dollars are shown, this order register will serve as a base for quick compilation of such a total.

Above all, classify the valuable facts about

orders, markets and prospective customers as this information comes in. Such facts are to be gleaned from letters, orders, salesmen's reports, consular reports and other communications. If letter files are allowed to become the graveyard of export information, that condition is reflected in dollars and cents in the yearly foreign sales.

## XI

### "All-by-Mail" Campaign

**PLACE:** Imaginary Latin-American republic of Argperec, a country with two geographical and political units of which the markets are La Rio and Santival.

**Time:** The present.

**Line:** Toilet preparations.

Our preliminary investigations through export organizations have made it clear that no one wholesale house covers both sections of Argperec, and that each apparently needs separate attention. On account of its greater importance, we turn first to La Rio.

We find that our original idea of selling to all of the wholesale houses there is impossible, as several already represent competing manufacturers. To offset this, however, our inquiry develops that one wholesale house which has previously specialized on toilet preparations, representing a world-known French line, has come to the end of a five years' contract, and is forced by the war to consider a change. Before making any advances, however, we carefully consider discounts and policy, so that we may protect all concerned in the resale of our products.

*Determining Discounts  
and Terms*

On this basis we plan the following discounts: Agents' discount, 70 per cent.; discount to the wholesalers whom they may interest, 60 per cent. less 10 per cent.; discount to large retailers, 60 per cent.; discount to small retailers, 50 per cent. less 10 per cent.

To protect our prospective agents against the competition of American export houses, we evolve for the latter a sliding scale of discounts, based on the nature and importance of their customers and corresponding to our basic plan. In addition to the  $2\frac{1}{2}$  per cent. cash discount, we offer the export houses special inducements varying with the character of the house and its customers and forfeitable in case the house fails to live up to the sliding scale plan. As a final argument for cooperation, we offer to export houses unwilling to work with us only 50 less 10 per cent. discount.

Despite the knowledge that our French competitors have regularly allowed their agents terms of 60 days from date of invoice,

*Urging the Quick Turnover*      payment at six months' time, charging 6 per cent. interest for the four months' interval, we

know from experience that our lines can be sold on a 60 days' sight draft basis. Therefore we plan to show the agent the advantage of a rapid turnover and a pleasing profit margin.

With the market known, and our discounts

and terms settled, we are ready to take the aggressive in approaching our prospective agent. We write offering the 70 per cent. discount F.O.B. steamer New York, shipments to be made with 60 days' sight draft attached to bills of lading. We enclose with our letter an estimate showing the approximate laid-down cost in La Rio of all our leading lines. Here the export organizations prove their service by furnishing information on duties, freights and insurance.

We offer our discounts, explaining them fully, as our domestic terms are often unintelligible to foreigners. We point out the protection we have made against outside competition. Though we retain the right to sell direct when unsolicited orders are received, we explain that such sales shall be at discount never better than 60 less 5 per cent., and that, as agents, they will receive commission on such sales.

We send samples of our most attractive lines, identifying each of these and urging comparison with competing products. Our advertising literature in Spanish, of course, is not slighted.

*Samples and  
Advertising Appeal*

As suggestions we point out methods of distribution which other Latin-American dealers have found advantageous. We make clear to the agent the best whole-



sale, retail and consumer appeals of our lines as a whole, and of one or two leaders as examples.

The real kernel of our long letter is the statement of our introductory plan. This we explain in detail, asking for frank criticism and suggestions. Under our courteous phrases we press home the advantages of handling our products and all but take for granted the acceptance of the agency. This introductory plan has two purposes: one to sell to the retail trade, the other to insure from the start a consumer demand.

For the retailer, we make up an assortment containing only a few novelties in addition to the staples which we plan to feature with con-

*Reaching the  
Retailer*

sumers. As a premium, we supply a lithographed metal cabinet, which serves the triple purpose of an advertising, storage and automatic sales fixture. Moreover, it gives "punch" to the offer. To stimulate the retailer's cooperation in our endeavor to interest users through the distribution of samples, we prepare a handsomely embossed label, which at slight expense can be printed with his name. Then with consumer literature for free distribution by dealers, and our agent's promise of a city-wide sampling, the retailer can answer for himself the usual arguments against stocking a new line.



### REACHING RETAILER AND CONSUMER

Chinese employees of the Singer Sewing Machine Company about to start on a local advertising campaign in Canton, China, using handbills, illustrated banners and a machine with dummy operator.



A further step in securing the copartnership of the retailer comes through our method of sampling. We explain that each dealer purchasing the retail assortment is entitled to have samples sent to 50 customers. To give an individual touch, these will be written direct from our factory, and his name will be mentioned as a source of further supply. The important factor here is that the dealer, in order to cooperate and supply the 50 names, must overcome his natural inertia and become a partner in fact. This insures a personal relation from the outset, while the dealer's curiosity and interest in the success of the plan will prove more valuable to us than the profit on his initial order.

It is fair to assume that after another exchange of letters, our agent is convinced of the soundness of our introductory plan, and is secured on a contract. The contract covers five years, subject to the usual cancellation clause. The agent places an initial order of the size we have indicated to him as necessary to justify our introductory work. With this order, he includes lists of wholesalers and retailers to whom we are to write directly.

*Agent's Contract  
Signed,  
Cooperation Begins*

Before this order has left our hands, the agent's activities will probably result in re-

ports of sales and lists of consumers. From receipt of the first of these we labor incessantly to make good our promises. Not only do we send the samples and letters, but at monthly intervals we refresh the memory of each wholesaler and retailer with a mailing-card in colors exploiting some leader.

Once our staple lines are well-introduced we take up and feature our more profitable specialties. Sampling is frequently not necessary here. For a full year we apply ourselves to selling the entire line. We neglect no product which failed to make a strong impression at the outset, but seek by persistent effort to give prominence to all. When all our goods are thoroughly known we leave it to the agent to continue the good work, knowing that with our regular advertising and samples, plus his selling ability, a steady increase in sales volume is certain.

In the meantime we discover an entirely different problem in Santival, the market of southern Argperec. Here, because of the

*Manufacturers' Agents  
on Commission Basis*

number of wholesalers in a position to handle our lines, it seems wise not to appoint any one of them as agent. We find in Santival a responsible firm of manufacturers' agents with several drug lines, which desires to act as our resident representative. To this firm



we grant the exclusive agency. It has no facilities for carrying stock, and it represents us on a yearly basis just as a traveling salesman would.

Compensation here is based on commissions. The difference between the discount the agency extends and the 70 per cent. we allow represent the agency's "salary"—and naturally this plan furnishes a distinct incentive to get the right price. In no case are our Santival representatives allowed to sell at better than 60 less 10 per cent. to wholesalers, or 60 per cent. to retailers; and on all our sales to that market through New York commission houses they are recognized. They have the option of having us ship and bill direct to their customers, or of assuming the credit risk by instructing us to bill shipments to them.

In the main, our sales policy and introductory campaign are identical with our procedure in La Rio. We find it an advantage to have our agents assume supervision of all sampling plans, and act as we would have our salesman act in similar circumstances.

*Review of the  
Campaign*

To check ourselves in practise as against theory, it takes but a brief review to be sure that:

1. Suitability of product has been determined.
2. Appeal has been properly divided among:

- (a) Agency arguments.
  - (b) Wholesaler's arguments.
  - (c) Retailer's arguments.
  - (d) Consumer's arguments.
3. Education of consumer has been promoted by samples and booklets.
  4. Distribution has been made a fact through the chain of users and sellers, its future insured by proper division of profit, and unfair competition made unprofitable.

With a complete year as a basis, we can determine the cost of laying the foundation in Argperec for an export future. These expense items fall into three groups: First, the cost of securing the agent; second, the cost of securing trade orders; and third, the cost of creating consumer demand.

*The Expense  
Items*

The main items in all three are postage, samples and credit reports. Altogether these expenses should not exceed 10 per cent. of the volume of business called for in our agency contracts, since no newspaper or other general publicity is employed and no advertising allowance is made to our agents.

Assuming the population of the republic to be 2,500,000, our sales should be \$10,000 the first year. By the end of the fourth year the sales should have increased to \$25,000. Under favorable circumstances, this ratio of increase should be greater, particularly if our line is of wider variety than that of any competitor.

One outstanding feature of our campaign has been the fact that its profits began almost with its inception. At no time did we stand to lose more than a few hundred dollars as against the possibilities of thousands of dollars in sales.

SUGGESTIONS AS TO FURTHER  
READING

The problems connected with direct exporting have been treated at more or less length by B. Olney Hough in *Practical Exporting*; by E. B. Filsinger in *Exporting to Latin America*; and by W. E. Aughinbaugh in *Selling Latin America*.

In addition to these three books many magazine articles have been published since the outbreak of the European War. Numerous contributions have been made by Mr. Wyman to current periodicals; the present Unit contains certain selected material from these articles. Other articles on the subject that may be of interest are published in the following magazines: *World's Work*, July, December, 1914, December, 1915; *Annals of the American Academy of Political and Social Science*, May, July, September, 1915; *System*, June, August, November, 1914; *Engineering Magazine*, August, September, October, November, December, 1915; *North American Review*, November, 1914; *Everybody's Magazine*, November, 1914.

Many other magazines contain material from time to time on the various questions of exporting, and the student would do well to consult *Poole's Index* or a similar guide to current periodicals for further articles.

## QUIZ QUESTIONS

## I

1. Define "an allied company," "a selling company," "a separate export department," "a built-in department."
2. Should the export manager pass on credits? How does the plan of a built-in department take care of this question?
3. Cite four instances of how an executive outranking the export manager may be needed in an export organization.
4. What should be the test of the "price policy"?
5. Why is it impossible to lay down a law regarding the quoting of discounts in export trade?

## II

6. What is the advantage of having the export headquarters at the factory?
7. Name the three methods of securing an export manager.
8. What conditions justify the establishment of branch houses?
9. In assisting the built-in export department, what are the responsibilities of the domestic production department, the traffic department, the advertising department, the credit department, the records department, the financial department, the collection department?

## III

10. What is the danger of planning an export campaign for each country separately irrespective of other countries?
11. If you were to employ two salesmen to cover the countries bordering on the Gulf and the Caribbean Sea and the islands therein, outline the two routes they would follow.
12. How would cities that had to be omitted from the salesman's initial trip be treated?
13. In Mr. Wyman's layout for a world-plan, how are the following countries covered: Alaska, Argentina, Russia, Java, British South Africa, Philippines?



14. Name the four selling weapons that must be employed to support the world-campaign.

#### IV

15. Would you advise a concern to sell its product solely through salesmen?

16. Name in the order of their effectiveness the three methods of securing an agent abroad.

17. Granting that we have appropriated \$15,000 for the promotion of the sale of dictating machines in Buenos Aires the first year, how would you apportion that sum among salesmen, correspondence, advertising, demonstration, etc.? What would the sum be the second year?

18. What five offers would you make to the prospective agent?

19. What would you expect from the agent in return?

20. How would you treat a suggestion made by an agent, when the suggestions conflicted with the practises of the house?

#### V

21. What is the primary purpose of an agency contract?

22. What are the four basic relations between foreign agent and manufacturer?

23. Should the agent be allowed, under any conditions, to sell competing products?

24. What two points should be mentioned when stating the commission to be paid to the agent?

25. What are the five points that must be taken into consideration in defining the prices at which goods are to be sold to the agent?

26. How are the charges on samples and advertising matter ordinarily apportioned between manufacturer and agent?

27. Name the five concessions made by the manufacturer and the four obligations undertaken by the agent.

28. On what basis would you draw up the cancellation clause for a three-year contract, safeguarding the rights of both agent and manufacturer?

## VI

29. Give an example demonstrating why an export manager should not be in sole charge of the export advertising.

30. Why should the advice of the export manager always be sought in connection with foreign advertising?

31. Mention nine possible uses to which the export advertisement may be put.

32. How can the advertising be employed to assist the salesman?

33. What attitude should the "house organ" adopt toward its foreign readers?

34. For what class of articles is the use of samples practically imperative?

## VII

35. Should the domestic policy of short, crisp letters be adopted for the export correspondence?

36. What were the ten points embodied in the letter on pages 79 and 80 that gave the communication its value?

37. What are the two schools of opinion regarding the use of series letters in export trade?

38. In what language should letters to Brazil be written?

## VIII

39. Mention three standard commercial codes.

40. What is a "four-letter code"?

41. Decode the message JADIFBANEB.

42. What is an "advance-data-on-order" code?

## IX

43. What are the "Three C's" that should form the basis of export credit?

44. What is the principal difference between the work of the export credit man and the domestic credit man?

45. Explain in detail how the credit and sales departments must cooperate in export work.

46. What should be the tone of each of the three letters addressed by the manufacturer to a customer who fails to meet an accepted draft?

## X

47. What information should go on each of the following record cards: Country Guide Cards, City Guide Cards, Customer Cards, Prospective Customer Cards, Cards on Indirect Sales?

48. Should the names of prospects, received usually in lists from institutions, be recorded on the prospective customer cards?

49. What is an "order register," and wherein lies its value?

## XI

50. In the imaginary campaign in Argperec how did we protect our prospective agents against the competition of American export houses and what steps did we take to assure the cooperation of the export houses?

51. What is the difference between the terms we offer the agent and those he received from the French manufacturers with whom he formerly dealt? What effect will our arrangement have on his turnover?

52. Name three means by which we secure the cooperation of the retailer.

53. How do we plan to refresh the memory of the wholesaler and retailer from time to time?

54. On what basis do we pay the manufacturer's agents in Santival for handling our line?

55. Review the four points considered in planning our campaign and the three groups of expenses that we have incurred.











143790

TcC

P9138c

Author Pratt, Edward Ewing (ed.)

Title Course in foreign trade Vol 5:-Direct export-

UNIVERSITY OF TORONTO  
LIBRARY

Do not  
remove  
the card  
from this  
Pocket.

Acme Library Card Pocket

Under Pat. "Ref. Index B"

Made by LIBRARY P



